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FORTY-FOURTH  
QUARTERLY REPORT  
— OF THE —  
PENNSYLVANIA  
Board of Agriculture.



TAXES AND TAXATION.

1891.

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# FORTY-FOURTH QUARTERLY REPORT

## OF THE

# PENNSYLVANIA STATE BOARD OF AGRICULTURE

### FOR THE YEAR 1891.

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 Dr. D. J. Waller, Jr., *Superintendent of Public Instruction.*  
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#### APPOINTED BY THE GOVERNOR.

	<i>Term expires.</i>
Hon. S. R. Downing, West Chester, Chester county, Pa.	1892
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Col. James Young, Middletown, Dauphin county, Pa.	1894

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		<i>Term expires.</i>
Adams	I. Garretson	1894
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Bedford	S. S. Diehl	1894
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Bucks	E. Reeder	1893
Butler	W. H. H. Riddle	1894
Blair	Frederick Jaekel	1892
Bradford	R. H. Laning	1892
Centre	J. A. Woodward	1894
Chester	Thos. J. Edge	1893
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Clinton	J. A. Herr	1893
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Jefferson	J. McCracken, Jr.	1893
Juniata	D. E. Robinson	1894
Lackawanna	H. H. Colvin	1894
Lancaster	Calvin Cooper	1892
Lawrence	Samuel McCreary	1894
Lebanon		1894
Lehigh	J. P. Barnes	1894
Luzerne	J. B. Smith	1893
Lycoming	A. Fague	1894
Mercer	R. McKee	1894
Montgomery	H. W. Kratz	1893
Montour	J. K. Murray	1892
Northampton	B. B. McClure	1894
Northumberland	J. Hoffa	1893
Perry	D. Kistler	1894
Schuylkill	J. T. Shoener	1892
Somerset	N. B. Critchfield	1892
Sullivan	J. K. Bird	1894
Susquehanna	R. S. Searle	1892
Tioga	J. W. Mather	1892
Union	J. A. Gundy	1893
Venango	A. Frazier	1892
Warren	Chas. Lott	1892
Washington	J. McDowell	1893
Wayne	N. F. Underwood	1892
Westmoreland	F. Y. Clopper	1892
Wyoming	N. G. Bunnell	1892
York	Dr. W. S. Roland	1892
	Biglerville	1894
	Tarentum	1894
	Plumville	1893
	Green Garden	1893
	Bedford	1894
	Reading	1892
	New Hope	1893
	Butler	1894
	Hollidaysburg	1892
	Towanda	1892
	Howard	1894
	Harrisburg	1893
	Brinkerton	1892
	Cedar Springs	1893
	Millville	1894
	Conneautville	1892
	Mt. Holly Springs	1894
	Harrisburg	1894
	Avonia	1892
	Uniontown	1894
	Greencastle	1893
	Black Lick	1892
	Frostburg	1893
	Port Royal	1894
	Dalton	1894
	Bird-in-Hand	1892
	Neshannock Falls	1894
	Allentown	1894
	Kingston	1893
	Picture Rocks	1894
	Mercer	1894
	Norristown	1893
	Potts' Grove	1892
	Bath	1894
	Milton	1893
	Kistler	1894
	Orwigsburg	1892
	Jenner's X Roads	1892
	Millview	1894
	Montrose	1892
	Wellsboro	1892
	Lewisburg	1893
	Cooperstown	1892
	North Warren	1892
	Washington	1893
	Lake Como	1892
	Greensburg	1892
	Vosburg	1892
	York	1892



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## OFFICE PENNSYLVANIA STATE BOARD OF AGRICULTURE,

HARRISBURG, PENNA., May 1st, 1891.

In accordance with the former policy of the Board in devoting each of its quarterly reports mainly to some leading topic, the following pages have been largely given up to the topics of Taxes and Taxation. Essays read at meetings of the Board and at local farmers institutes have been made use of, and addresses and discussions at these gatherings have been obtained through the assistance of a stenographer, and are here given in a condensed form.

As is usual in similar cases, it will be found that extreme views have been taken by both sides, and that probably the truth is to be found at a point nearly equidistant from the two extremes. Those interested in releasing real estate from a portion of its unjust burdens, have somewhat exaggerated its rate of taxation and have under-estimated its actual value. The same writers, interested in increasing the value of corporate and personal property for the purpose of demonstrating the disproportion in taxation, have also unduly increased their total value, and in many cases have included in their estimate the value of corporate and personal property which by law is exempt from taxation.

When the object to be attained is the comparison of taxation upon real estate on the one hand, and upon corporate and personal property upon the other, it is undoubtedly fair and just to include all kinds of corporate and personal property whether exempt from taxation by law or not; but at the same time it is manifestly unfair and unjust not to include in the other side, the value of the real estate which is also exempted by law. Reports of the Secretary of Internal Affairs show that we have in the state, real estate having an assessable value of \$2,000,000,000; if to this we add \$500,000,000 for a difference between the assessable and real value, we have an amount, which, if added to the estimated value of other (taxable) real estate, will operate to decrease the mill rate of taxation. If on the side of corporate and personal property, we add that which is exempted by law from taxation, we must certainly act fairly by the other side of the account, and add \$200,000,000 to the estimate. Or failing in this, we should confine the comparison to corporate and personal property which is now assessed and taxed by law.

A common error in estimating the value of real estate is to take the figures as shown by the reports of the Secretary of Internal Affairs, forgetting that these figures show more nearly the assessed value, and that a fair addition should be made for the difference between this assessed and real value; thus, for instance, Susquehanna county assesses her farms at about one third of their actual value; Crawford assesses hers at fifty-five per cent. of their actual value.

On the other hand, quite as great an error is committed by taking the figures of the Auditor General as representing the actual value of corporate property, forgetting that these figures are based upon par value and make no allowance for stocks below par or which have neither market value nor dividend earning capacity.

In all arguments relating to taxation upon different classes of property, care should be taken to definitely explain what class is alluded



to. The statement that real estate is taxed to the amount of 17 mills in this state may be correct in the abstract, but such an assertion made at a local farmers institute nearly always leaves the impression upon the audience that farm property is meant. It is evident that the maximum of taxation is reached in our cities and the minimum on the farms, and that between these two extremes we find the tax rates of our boroughs. Our authorities do not agree as to the comparative rates of taxation upon these three classes of real estate, and we find one of the members of the revenue commission (see page 69 of their report) claiming that "the average rate of taxation, based on full value, is not over 5 mills on the dollar on farms, etc., not over 7 mills on property in boroughs, and not over 8 mills in cities of the first and second class."

In his report, Professor John Hamilton claims that "it is therefore substantially correct to estimate that real estate in the aggregate pays 15 mills on actual value and the portion used as farm property pays about 9 to 10 mills on actual value."

The Board of Agriculture has obtained the value of 1,558 farms in 58 counties of the state; the sum total of their estimated actual value is \$14,649,553, and the amount of tax paid by all is \$114,773.42; this would indicate a rate of 7.84 mills on the dollar of actual value.\*

In obtaining this data other matter relating to taxation was incidentally obtained, indicating that in Chester county the average tax upon borough property was 13.13 mills on actual value, and that upon farms 8.4 mills upon a fair actual valuation. It was also found that in Crawford county the boroughs were taxed at the rate of 26.2 mills, and the farms at the rate of 18.4 mills, and that this rate was based upon an assessment equivalent to 55 per cent. of a real value.

In the discussions of our local farmers institutes two points were strongly brought out, and it was clearly shown that the farmers of our state are almost a unit in a belief in their justice; they were as follows:

1—That real estate is, under our present revenue laws, bearing an unjust proportion of the burdens of local taxation, and that it is but just to real estate that an attempt should be made to secure some basis of equalization.

2—That the taxation of the mortgaged portion of the farm, first as value in the hands of the farm owner, and second as value in the hands of the lender, was unjust, and demanded the attention of our legislators.

It has also been shown by the data collected by the Board of Agriculture, that even in the same county and in all cases based upon actual valuation, taxation is very unequal and irregular; these returns show that in Chester county the taxation on farms (at actual value) appears to vary from 6.4 to 13.13 mills. It is true that a portion of the inequality may be charged to building new school houses and to unusual damage to roads by freshets which damaged some townships more than others, yet the inequality is too great to be entirely accounted for in this way.

THOMAS J. EDGE, *Secretary.*

\*In the annual report of 1891 (page 266 and 351) a partial result of this examination was given, but from limited and imperfect data; since then the value of the farms reported has been very much increased and as a consequence some of the counties now show a higher rate of average taxation, but on the other hand the rate of others has been lowered until the average total rate is less than stated in the annual report.

## TAXATION AND THE FARMER. WHAT ARE YOU GOING TO DO ABOUT IT?

By N. F. UNDERWOOD, *Member from Wayne county.*

(Read at the Annual Meeting, 1891.)

Upon the question, Who pays the local taxes in Pennsylvania? there is no need for argument or discussion. That ground has been gone over time and again, and by common consent the answer is, the farmer and real estate owner. Only those who are adversely interested make any pretense at arguing that this is only an equitable arrangement. All others who are informed upon the subject, and who are candid, admit the inequality and one-sidedness of the present distribution of the tax burden. Some other phases of the subject have not been freely discussed, and to call attention to these is our purpose in the present paper. Who is responsible for the fact that our laws in relation to taxation are unequal, and bear unjustly upon the agricultural class? Primarily and chiefly the farmer himself. He has known for years that he was being imposed upon in this matter. If it has been pinching him a little harder, and making him growl a little louder during the recent years of agricultural depression, it is only one of the incidents of the system to which he has all along submitted, one of the natural effects of a policy to which he has hitherto opposed no effective protest. Local and individual remonstrances have indeed been spasmodically indulged in, but no united issue has been made on the question of tax reform, by those who are shouldering the heavy end of the tax burden. Inaction has been accepted as indicating a willingness to continue carrying the load, or at least an unwillingness to disturb existing political relations for the sake of having it lightened, and up to the present time it has been considered entirely safe to defer making any change in the statutes relating to subjects of taxation. What explanation can be given which will account for the farmers anomalous position upon a question so vitally important to his interests? The answer to this interrogatory involves a statement of facts at once astounding and humiliating.

The astonishing part of it is that they have all this time, by virtue of their numbers, had the power to remedy the existing condition of things; yet at no time have they attempted to use it. That instead of asserting the right which majorities usually claim of being heard upon questions of state policy greatly affecting their interests, they have been, as a class, utterly without political standing or influence. That they have not even held, or attempted to hold, that point of vantage so often occupied by shrewd minorities, the balance of power, but have in all things political suffered themselves to be ignored, thrust aside, and sat down on by combinations of this or that body, class or handful of self-asserting individuals of other callings, whose interests ran in adverse channels. The humiliating part of it is that they have done this largely in consequence of a feeling on their part that first of all, they owed allegiance, unreasoning and unquestioning, to an intangible thing known then as "their party." That the interests of that party must not be jeopardized for the sake of any personal or class interests, but that all such considerations must be held subservient to party suc-



cess and domination. That rather than unite with those holding opposite political opinions, or rather with those called by the hated name of the opposite party, to secure a common benefit, they would allow the present condition of things to go on indefinitely. This uncompromising, self-denying attitude of the farmer, while it has deprived him of all political prestige collectively, has made him individually a pliant and powerful means of advancing all interests except his own. Friend and enemy alike have called upon him for assistance in their time of political need, and he has been a most honorable example of steadfast loyalty to partizan interests, and faith in party watchwords and traditions. It is not our purpose to inquire how long, or until how lately, the farmer has occupied this profitless position. Nothing but the fact that his house has been divided against itself, can account for the disadvantage at which he has stood among his fellow citizens as a bearer of unjust burdens, as an unrepresented or misrepresented component part, majority or otherwise, of the great body politic. It is not, perhaps, judicious at the present time, to inquire too closely into the causes and influences which have jostled him out of his accustomed place in the rank and file of party henchmen, and dragged the anchors of his faith from their old political moorings. It is enough that we recognize the fact that a change has been rapidly taking place in his political relations. That the cords which have hitherto bound him to this or that party organization are in a dangerously strained and slackened condition, and can no longer be depended on to hold him as they have been wont to do, in absolute control. That his time of inaction is past, and that he sees clearly and comprehends understandingly, his true place as a man and citizen among his fellow men. He rejects the narrowness of his old party platform, and finds plenty of good solid standing room on ground it never covered. From a condition in which he was individually and collectively devoid of power or prestige, he has suddenly become, in many states positively and in our own state possibly, the most important factor in the whole political problem. From being numbered among the one class whose rights it was entirely safe to ignore and disregard, he has suddenly awoke to the fact that he holds the key to the whole situation. In view of this, not newly acquired, but newly discovered potentiality, what is he going to do concerning the problem of taxation, and sundry other problems which are likely to force themselves upon his attention? In the absence of any authority to speak for him, I confidently leave him to answer this question for himself. In common with many others, the farmer has not gone very deeply into the question of the fundamental principles of the science of taxation, hardly as deep as the tax rate has into his own pocket. In fact the subject has scarcely touched him at any other point. While he has had large experience in domestic economy, and can back his opinions with a goodly array of time honored maxims, yet the subject of political economy is too abstruse to secure and hold his serious attention. He belongs neither to that small class who have investigated deeply, and thought profoundly upon the subject, and are still undecided, nor to that larger class who have examined it superficially and know all about it. He has not troubled himself at all about theories. It is the hard facts, which call for hard cash, which alone cause him anxiety. He recognizes the authority of the tax collector, but takes no stock in the authorities cited by the expounder of tax dogmas. He cares no more for the opinions of Henry George than for the vagaries of the local weather prophet, and regards the maxims of Adam Smith

as of no more importance than those of John Smith. He has probably made no further progress in solving these questions than to accept what seems to be the current opinion, that in matters of tariff and taxation, the wisest statesmanship consists in placing the burden where it will produce the most revenue with the least growling. He understands as well the difference between paying a tax of two per cent. on the money invested in a farm yielding him a return of, say three per cent., and the tax which his neighbor pays of one half of one per cent. on an investment paying him six per cent., as if he carried a diploma from a dozen business colleges. And no amount of logic or sophistry will convince him that an arrangement which permits such discrimination is grounded upon sound legal or business principles. Now the farmer in a general way is possessed of a spirit of fairness, and does not ask or expect from others more than he is willing to concede in return. He is not clamoring to have his belongings placed upon the free list, and the whole burden shifted upon the shoulders of others. He is not quoting the proverb, "turn about is fair play," but interprets fair play to mean an equal sharing of the burden all around. If he shall be met on the part of those charged with the responsibility of redressing wrongs and distributing the burdens incident to all government, in the same spirit of fairness, he will not be found difficult to satisfy. If, on the other hand, he is still thrust aside, and bade to wait till a more convenient season, he is not likely to submit quietly. He feels that the time has come when his rights and interests should receive consideration. He reasons that no difficulties should attend the performance of an act of simple justice. He knows that redress can only come through the law-making body of the state, and he is already asking of the present General Assembly, if not openly, at least in his own mind, "What do you intend to do about it? His request for tax reform has been for years on file among the records of successive legislatures, and no formal renewal of his petition is required. He certainly sees no reason to withdraw his claim, or to abate his earnestness in pressing its consideration. He knows that he has earnest friends in the assembly, and regards the entire body as well disposed towards him. Yet while he sees the prospect brightening, he remembers the weary years of fruitless struggle and hope deferred, whose shadows are not yet dispelled by the prospect of success. If I read the signs of the times aright, his present attitude is not one of great anxiety and solicitude. That feeling belongs to the past, and he is not worrying about the final result. He has his weather eye open, and is taking observations, and it occurs to him that others have interests at stake on the issue as well as he. He is not implacable nor vindictive, yet is quite as much disposed to get upon his ear, as to get down on his knees. He is quite willing at present to use moderation, and until forbearance ceases to be a virtue, will refrain from suggesting any alternative.

### DOUBLE TAXATION.

By FRED'K JAEKEL, *Member from Blair, Hollidaysburg, Pa.*

(Read at the Annual Meeting 1891.)

De Montesquieu in "Spirit of Law" says: It is a general rule, that taxes may be heavier in proportion to the liberties of the people, and



that there is a necessity for reducing them in proportion to the increase of slavery. (Ancient nations supported their government from the proceeds of the spoils and plunder, obtained in warfare from their weaker neighbors. The disciples and followers of Mohamet, the citizens of Mecca, paid no taxes for centuries; the treasury of the government was filled to overflow with the taxes collected from enslaved nations—and the citizen conquerors received a pension, sufficient for them and their families to live.) This maxim of Montesquieu has and always will be the rule. It is a natural rule, which never changes.

Taxes are an adjunct of civilization; weak nations cannot be plundered at present conveniently, and with taxes alone, the machinery of a government can be kept in running order. Taxes being a necessity, it follows: that every citizen, every individual, should contribute according to his possessions, and pay his or her proportionate share toward supporting and maintaining a government, under which strong arm of protection they enjoy that liberty, and are enabled to pursue that happiness, which alone makes life worth living. To bring about equalization of taxation, to avoid double taxation, seems to be a problem, which our politicians are prone to tackle, hence they allege that it is very difficult to make each and every individual owner of property, no matter in what form, or of what description, pay for the support of the government a share of his annual income, or the cash value of his or her possessions.

It seems that with all the modern informations, statistics, etc., on hand, there should be no difficulty for the legislator to pass a law equalizing taxation, and avoiding double taxation.

Servius Fullius divided all the people of Rome into six classes; it was in some measure the fundamental principle of the constitution; it thence followed that an equal levying of taxes was so closely connected with this fundamental principle, that the one could not be abolished without the other. The taxes were equally divided, each individual paid according to his means, and that was three thousand years ago!

The fundamental principle on which the constitution of this great country was established, was also one of equality, and knew no difference between men, because one was poor the other rich. All men are equal, is proclaimed from the Atlantic to the Pacific Ocean. All men are equal before the law, the law protects them all; and each and every individual living under the protection of the laws of this government, should also contribute his share for the support of the government which protects him, according to the value of his or her possessions, whether consisting of lands, houses, manufactories, manufactured goods, merchandise, money on interest, stock, bonds or any other property. The man who has in his safe the evidence of having invested in different schemes, or loaned to other people on notes, judgments and mortgages, the sum of \$50,000, derives therefrom a large income, should also pay in proportion the same amount of taxes, as the man possessing a house and a few acres of land, from which by daily toil and labor, he and his family earn a living.

This is however, not the case. The poor man, the owner of a house and a few acres of land, pays almost ten times as much as the rich man. The rich man receives the same protection by the government as the poor man. Especially at the present time when men may be the owners of millions, have an annual income of hundreds of thousands of dollars, and not own one acre of land in all this broad land.

In certain provinces in Russia, each town, village or township, is as-

essed a fixed amount of taxes, which the municipal officers, chosen by the people, collect from the individual tax payers, and pay over to the government. Whenever these taxes are assessed, all the taxable people, appear before these officers or townfathers, and acknowledge their possessions in houses, lands, cattle, furniture, money on interest, merchandise or other things. These confessions are made in the presence of their neighbors; they are not able to hide any large quantity of property from being assessed for tax purposes. Only actual value of property, less the actual indebtedness against the property is assessed. Each person pays according to his means; undervaluation cannot occur; the cry of double taxation is not heard; and these people are only half civilized. That may account for their simplicity in acknowledging their possessions to the tax assessors, and not deem it unconstitutional in the assessor to try and ascertain their wealth for tax purposes, or look upon this process as a spyonage into the private affairs of individuals.

Taxation cannot be a burden for any patriotic citizen, but it becomes one if one class of the people have to pay a larger proportion of it than another, in fact, when double taxation takes place as at present in Pennsylvania.

It is supposed that the people assess themselves, at least they choose one of their number to act as assessor, and he has certain laws and rules before him for guidance. He assesses all the properties he can find, to their full value; there can be no fault found with him, he can only assess what he sees; the other half of the people's wealth, locked up in the safe, consisting of stock bonds, notes and other valuables he cannot see, and of course they are not assessed. Consequently taxation must fall on those who are unable to lock their property in a safe; those who are not able to compress their possessions in small bulk, have to pay taxes for those who can, and that is one mode of double taxation. If one man, the owner of a few acres of land, off which he and his family, by their daily labor, earn a subsistence, discovers that his neighbor, a rich man, living in plenty and luxury, but whose wealth consists of personal property, pays actually less taxes than he, then the payment of taxes becomes a burden, and if he is at all ambitious to live like his neighbor, he will, at the first chance he gets, sell his inherited acres, move into town, and avoid payment of taxes.

This at the present time, is the case with the farming community. By this I do not mean that taxes in Pennsylvania are unbearable; as a whole they are not; what I mean, and I say it with all candor and sincerity, is that the farmers as a class, and the small property owner, all over this state, pay most or nearly all taxes for municipal purposes.

For ages past, almost since the dawn of civilization, which in its train brings manufacturing and commerce, it has been the endeavor of statesmen to foster manufacturing and commerce, and it is chiefly done by exempting them from the payment of direct taxes; and many governments, in order to encourage their subjects to trade with other nations, have paid them subsidies, exonerated all goods manufactured for the purpose of exportation from taxation, and also paid a bounty to the vessel sailing under the flag of that country, for carrying these goods to foreign shores.

For the sake of giving subjects employment, so that by the wages earned, they may provide themselves and families with the comforts of life, become small property owners, and thereby useful and good citizens, it is but just that manufacturers should receive all possible pro-



tection; but when these manufacturers receive an annual revenue or income from their works of a hundred thousand dollars or more, as many in Pennsylvania do, and spend the most of their time in foreign countries, without paying one cent of taxes on this immense income, then the present system is not only double taxation, but malignant gross injustice.

Apparently, and also in fact, every article of commerce is directly or indirectly a product of mother earth; and it would seem that the tiller of the soil, the farmer, eventually must become the recipient of all the bounties produced by the manufacturers, and brought home by the merchant, and as a natural rule, should also bear all the burden of taxation.

This, however, is an optical illusion; in the first place, the farmer, to make his land produce desired crops, has to work long weary hours, for him is no eight hour system existing, and in the second place, being only a producer of raw material, which he sells to the manufacturer or merchant, he has to buy the clothes he wears from them at their prices, and also his furniture, groceries and other necessities of life. Being fully convinced that taxes must be paid by some body, and that in a state where all men are equal, all receiving alike protection, it should naturally follow that all and every individual would pay a pro rata share of his or her cash value of possessions, or a share of his income for the support of the government. And no one should be compelled to carry a bigger load than he can bear. No one should feel or be convinced, that in addition to his own load, he also carries a part or the whole of the load which his neighbor should bear, on his shoulders. In other words, that no one should pay double taxes.

In past ages, when the wealth of a nation consisted of fields, orchards and cattle, when modern investments, such as stocks or bonds were never thought of, there was no other form of property to pay taxes on. All this has changed, the largest share of the wealth of a nation consist of so-called personal property—property most generally exempt from taxation at present.

It is true, land is, and always will be and remain the foundation of all wealth, but when, as at the present time, so many other forms of wealth are springing up in all directions, the owner of farm land, the farmer alone should not be compelled to bear all the burden.

If we indulge in a speculation and try to discover who pays double taxes, we will find it by the following comparison:

A man owns a farm containing 100 acres and worth \$5,000.00, or fifty dollars an acre, it is assessed to that amount for tax purposes. The value of the farm to that amount is patent, and it is but just that the owner thereof should pay his pro rata share of taxes.

The owner or reputed owner of this five thousand dollar farm, however, is indebted to the amount of three thousand dollars, in fact he owns less than a moiety of these 100 acres, but the taxes are assessed and levied on the whole value of it, the debts are never considered, and it is in this case, where again occurs double taxation.

Alongside of this 100 acre farm is another farm containing 100 acres, no improvements, no dwelling or barn are on it, but iron ore or other minerals are dug out of the ground. The owner of this land receives every year five thousand dollars royalty from some one who takes the mineral away. He actually realizes from the product of his farm, five thousand dollars a year but for tax purposes his land is on the unseated list, assessed about \$4.00 an acre. On that amount he pays his pro rata

share of taxes, but nothing whatever on his large income, of which a portion is added annually to the accumulation of his wealth.

Here are two properties consisting of land; one is worth \$5,000.00 worked as a farm, assessed \$5,000.00 for tax purpose, and for which the owner if he could sell at all, would like to take the assessed value; along side of him is a piece of land for which the owner has repeatedly refused \$25,000.00; it is not worked for farm purposes, it is considered unseated land; the owner thereof, however, receives every year \$5,000.00 for the produce of this land; and it is assessed for tax purposes, \$400.00. This is not just, this is not right! why shall the farmer for his land pay over ten times more taxes than the other. Such cases are not isolated, they can be found in almost any county of this state.

Numerous cases of this kind, the exemption from taxation for municipal purposes of corporate property, the total exemption from all taxation of a vast amount of wealth of all description of individual or personal property, make the taxes for the farmer the tiller of the soil, and the smaller property holders in towns very high—they are truly in proportion to the liberty we enjoy—there is hardly a city, borough or township in this commonwealth, in which the direct money taxes for a state and municipal purposes are under one dollar and a half per hundred dollars assessed value.

This is a very large sum for taxes on farm property, if we take into consideration, that the owner of the land, before he can realize anything from these acres, must be a manufacturer, and merchant, he must plow, plant, harvest and sell his produce. His land is assessed \$50.00 per acre, and the net profits per acre on an average are not more than \$5.00 per year. And on the income of \$500.00 per year he pays a tax of \$75.00, or 15 per cent. of his income.

The farmer cannot, like the manufacturer or merchant, depend in his profits only on the fluctuation of the money market, indeed he has many more formidable objections to encounter and overcome, drought and rain, heat and cold, fire and water, in fact he must take into consideration in calculating his annual earnings, all the forces of the elements. If in dry seasons vegetation burnt up, or in wet seasons the rain spoils all his crops, whether he harvests enough grain to the acre assessed \$50.00 to seed it again in the fall, or all his outlay, labor and industry are a total loss: it matters not, that farm is assessed \$50.00 an acre, and for each and every acre he has to pay seventy-five cents taxes.

But now what becomes of the debt he still owes on that farm? viz: \$3,000.00. Virtually he owns but two fifths of it, the other three fifths are not his in reality, it belongs to the mortgagee, and yet he pays taxes on five fifths. The taxes as stated above are on the whole seldom under \$75.00 a year. That man actually worth two thousand dollars pays three dollars and seventy-five cents on every hundred dollars worth of property he owns. Why overtax this form of property and exempt others. Now let us compare the income and earnings of a farmer and his family. Taking it for granted that he raises all his vegetables, milk, butter, meat and breadstuff for his table, and that he clears on 100 acres, \$500.00 or \$5.00 to the acre, that is a large average. The most of our farmers, who work their lands worth \$50.00 an acre, do not earn \$500.00 per year over and above the necessary hire for help in the summer, blacksmith and wagonmaker bills, purchase and repair of farm machinery. It would be all right if in prosperous years he could lay aside that sum, or part of it, reduce the mortgage against his farm, and in course of time become sole owner of it; and he would have something



to fall back on in bad years; but out of this sum he has to pay \$75.00 taxes, \$180.00 interest on borrowed money, doctor bills, church stipends, clothing, boots and shoes for himself and family, and at the end of a good season, if he is right economical, he will have succeeded to make both ends meet. What, however, is to become of him when his harvest is ruined by sun or rain, his cattle die, or in one night the dogs of some sportive townsman kills half his sheep?

To subsist and go on again, he will have to borrow more money, reduce his income by the payment of additional interest, reduce his ownership in the farm to the actual amount borrowed, and yet he has to pay taxes on \$5,000.00 land value, which is nothing more nor less than the tools by the use of which he earns a living.

An average mechanic earns decidedly more, lives better, dresses better, has more money, and a great deal less care than the average farmer. Now take manufacturers, merchants, capitalists and many other people, who represent the largest share of the wealth of this country. People who daily are amassing fortunes, by the labor of others, who are well able to pay their pro rata share of taxation, but in fact pay little or none at all.

Take the merchant in a country village, he has a stock on hand worth \$10,000.00, he turns that over two or three times a year with gain. He is actually worth \$10,000.00; on that wealth he pays a tax of \$25.00 per year, but none whatever to municipal purposes. He is using the roads which the farmer has to make and keep in repair, he is sending his children to the school; for the building of the school house and the salary of the teacher he pays nothing; his poorer neighbor, because he is working on a farm, has to do that. His income over and above his bare living, is surely more than that of a farmer.

Or take the capitalist who has loaned out on farm mortgages \$50,000.00, he virtually owns that much real estate, but he does not farm it, and the title by law is not in him until he has taken the farm at sheriff's sale on foreclosure of mortgage. He has an annual income of \$3,000.00; his wealth is \$50,000.00, but classified as personal property all the taxes he pays are \$150.00; none whatever for municipal purpose. He owns three fifths of the farm worth five thousand dollars or three thousand dollars, and pays on it \$9.00 taxes. While on the same property, the farm, on which there is a mortgage of \$3,000.00, and the taxes on that are \$9.00, the farmer pays again but this time his share is \$45.00. This is surely a case of double taxation. Such cases are not few in this state, and it need not be wondered at that after some years of failures and hard struggle, the farmer succumbs under this heavy load, leaves the farm and seeks employment in a manufacturing establishment or elsewhere, perhaps where his boys are employed, who saw his collapse approaching, left the farm as soon as they were of age, and are earning a better living than they ever did on the farm.

Do we need to look for distant causes or indulge in speculations to find reasons why so many farms in Pennsylvania are idle and it is so difficult to obtain good tenants? One of the principal reasons of this calamity is double taxation.

Let every man pay taxes according to his wealth, or better according to his income. Whenever that is done, and not till then, will the farms in this beautiful country, abandoned at present, again be occupied, the click of the reaper and mower be heard, and where now silence reigns, briars and thornbushes stood up in all directions, a happy contentment

braced up by honest industry will make its appearance, and the song of the ploughman will rival that of the lark.

Let right and justice prevail, bring about an equalization of taxation do away with double taxation, and the sturdy yeomanry of Pennsylvania will arise Phoenix-like and be again, what it always was, the pillar on which the country could rest in peace.

## MEASURES TO REDUCE TAXATION.

By DR. GEO. G. GROFF, *Lewisburg, Pa.*

(Read at Annual Meeting 1891.)

It is with much diffidence that I undertake the preparation of a paper upon any subject with which I am not well acquainted. I have not been a student of political economy, my life being devoted to other lines of work, so that what I present to the State Board of Agriculture at this time, must be the casual thoughts which have presented themselves to my mind, for it was not possible for me to make a serious study of the great subject of equitable taxation, in the time given for the preparation of this paper.

It has seemed to me that for my purpose taxes may be grouped under four great heads, viz:

1. *Those which are self-imposed.*
2. *Those imposed by the township or county.*
3. *State taxes.*
4. *National taxes.*

Each of these classes will be briefly considered as to the possibilities of lessening the burdens imposed.

1. *As to taxes self-imposed.* Some of the taxes hardest to meet are self-imposed. One of these, prominent in our times, is the tax of railway travel. If one is not careful, it becomes a heavy burden. Here also should be placed the tax imposed by a fast horse and a nice buggy, which eats up the earnings of many a young man, and prevents him from ever becoming the possessor of a home as good as that of his father. I do not mean here that one should not travel for recreation and to learn the ways of others, but there is such a thing as being away from home to the neglect of business. It is to this that reference is made.

Then there is the tax imposed by fine clothing, fine carpets, fine furniture, expensive decorations, musical instruments, beyond the purse of the owners. These things are all right and proper when the income is sufficient to pay for them, but in too many cases, the income is not adequate.

Another tax of our times, is the machinery tax. This is necessary, but many let it become too burdensome. Farmers certainly might co-operate to a great extent in the use of the more expensive machinery, and certainly no one can afford to leave it go unpainted and stand in the weather unprotected. More co-operation is needed at this point.

The taxes imposed by agents and middlemen are entirely too heavy at the present time, and must be lessened by judicious buying and selling. The commercial fertilizer tax is necessary on most farms, but should be made small as possible by the collection and saving of home-made manures, and the use of clover.

The tax for fuel is one which has increased greatly in the present generation. It should be lessened all possible by fuel from the farm



woodlot, from which would be derived ashes valuable as a fertilizer. On many farms the fence tax is unnecessarily heavy. We advocate the division of the farm into woodlot, pasture, and farm land. Put the rougher ground into permanent pastures, and then there will be need to fence only the pasture, as the farm lands can go without fences. The great mass of fences about the farm buildings should be banished entirely. Build a chicken yard, and there will be no longer any use for these unsightly fences about the buildings.

The tobacco and alcohol taxes are within the control of each individual and need not be discussed here, nor the taxes imposed by ignorance, carelessness and shiftlessness. He is a happy man who is able to control these self-imposed taxes; for compared with governmental taxes, they are very heavy; and thrice happy is he whose family is with him able and willing to deny themselves of the luxuries which they cannot afford.

2. We next come to the *taxes imposed by the township and the county*. These are direct and perhaps the heaviest of all our governmental taxes. It seems to the writer that *they are needlessly heavy*. A member of this Board recently remarked to the writer, that the average township government was the most corrupt in the land. And yet it is nearest the people, and should be the purest. If township taxes are heavy, the people have no one to blame but themselves, for they can certainly control the expenditures in the township.

*The road tax* is a great burden. 1. Because nearly all the money expended yearly on the roads is thrown away, no effort being made to permanently improve them. 2. Because in many cases roads are too numerous and are badly located. 3. Because the tax is all collected off the land owners and not from all the property in the township, as money, railroads, telegraph companies, pipe lines, occupations, etc. 4. Because too often the most inefficient man in the township is made supervisor. 5. Because all principal roads are subject of state concern, and should be kept in repair by the state and not the township.

*The school tax* has become too much heavy for what is obtained. This tax should be equalized and lessened where excessive, (1) by greater state aid, because education of the citizens is a matter concerning the state, not the township alone. (2) By a demand for higher standard of scholarship in the state normal schools. (3) By the people demanding of the directors, the strictest fidelity in the selection of teachers, erection of buildings, etc. (4) All property of every kind in the township should contribute to the support of the schools.

3. *The county tax* is also direct, and much too heavy. The money derived from this tax is expended on the poor, the criminals, the bridges, the public buildings, advertising, and a portion goes to the state treasury. Can the county tax be lessened? Certainly and emphatically, yes. How? In the first place, by breaking up the "political rings" which in so many counties exist to fatten off the county funds. 2. By electing first class business men as county commissioners, and not broken down men who have failed in every venture of their own. 3. The poor should be placed on farms and should, just so far as is compatible with strict humanity, be made self-supporting. They should certainly not live better than at any former period of their lives. 4. Criminals should all be required to labor, and so far as possible, be self sustaining. 5. County officers should be paid salaries equivalent to what they could earn at their ordinary occupations, and not three or four or more times what they are worth as is now too often the case. There is no reason

in the world why the sheriff, for an illustration, should grow rich from the unfortunates whose affairs he must close, or why the recorder of wills should feast sumptuously from the portion which should go to widows and orphans. What is most needed to reduce county taxation seems to be plain common sense put into operation by the voters of every county. Officials should become servants and not masters as is now too often the case.

3. *State taxes*. It is generally supposed this burden is light in our state, because these taxes are collected from corporations. But we should not lose sight of the fact that corporations in turn collect them from the people, who ultimately pay all the taxes. Nor should we lose sight of the fact that whereas in this commonwealth, the valuation of real estate and personal property seem to be about equal, the real estate pays about six times as much tax as the personal property pays, we hold, 1. That *at once* the taxes on personal property of every description should be raised until they equal those of real estate. 2. That in the expenditure of state funds, every precaution should be taken. On this point let us dwell a moment. Our public charities appear to cost at least \$2,254,882.95 yearly. How much more the writer cannot find out. In the resolution by which the committee was appointed to examine the public charities, it is affirmed, "With the purpose of setting some limit to the great and constantly increasing demands upon the treasury for the furtherance of a great variety of schemes, many of which are of *doubtful utility*." It is understood that the committee after two years investigation consider a number of the charities most doubtful. We recall the management at the Blind Asylum, the Soldiers' Orphans' schools under the syndicate, where the profits were possibly \$200,000 a year, a potent reason why these schools could not be closed. Thus, every institution in the state, of every kind, receiving state aid, should receive the most careful scrutiny, and if it persistently fails to come up to a reasonable expectation all state aid should be firmly withheld, be it hospital, asylum, normal school, or college. We mean and include all institutions receiving state aid. Because an institution has received state aid in past times, is no valid reason why it should continue to receive such aid through all coming time, despite the reputation of the institution or the quality of the work performed.

At this point we would call attention to the mistaken philanthropy which places the pauper incurably insane in our state institutions at \$4 or \$5 a week, when they would have more freedom, and generally be happier at the county poor houses on \$2 a week, and to the penitentiaries where the prisoners should be in a measure self-sustaining.

Salaries of state officers should be in harmony with the times. Honor in a measure should be looked upon as compensation. The important offices should go more largely to men of mature years who have made their fortunes. This good custom of the past should be revived. The unseemly contests which we see for the high offices of governor and the judgeships, may to some extent at least, be promoted by the salaries paid. Michigan pays her governor but \$1,000 a year and on the average seems to secure as good material as Pennsylvania does for \$10,000. In the hands of older men, salary should not be so much an object as to young men.

Offices are also needlessly multiplied. Our late legislature created twenty additional law judges, at an annual expense of \$80,000 to the taxpayers of the state, while lawyers in every county in the state will



affirm that law business has fallen off from one-half to even three-fourths. If there is a lack of law business, why then a need of more judges?

Much money is appropriated by each legislature to objects of very doubtful utility. From the acts of the last legislature, I observe that \$390,000 is appropriated to our National Guards, with \$12,000 extra for a trip to New York city, while the important State Boards of Health and Agriculture receive less than \$20,000 for the same time. It may be that the \$390,000 are wisely spent, but the writer protests against the payment of his share of the same, on the ground that it is money uselessly expended. The last legislature appropriated \$81,500 for monuments on the Gettysburg battlefield, and \$34,500 for the propagation and protection of fish, and at the same time the magnificent sum of \$5,000 for the protection of the lives of the people. All these expenditures, running up in the total of millions of dollars yearly, may be all right, but they certainly ought to be most carefully scrutinized. That public money all comes out of the hard earnings of the people is too often forgotten.

4. *National taxes.* I will detain you but a few moments with any thoughts on the subject of national taxation. Admitting that money must be raised to carry on the national government, I hold that the present system of taxing one class and one industry for the support of another class or industry, is at once *illogical, pernicious, and unconstitutional*. I cannot understand how we have so long deluded ourselves with the idea that the general prosperity could be best promoted by taxing now agriculture to promote manufacturing, and then manufacturing to support commerce, and finally both commerce and manufacturing to support agriculture. The whole idea is fallacious, unsound, illusory.

To give an illustration. Three of the best authorities in the United States (Mr. A. B. Farquar of York, Pa.; Mr. David A. Wells and Edward Atkinson) calculate that the \$50,000,000 tariff levied by the U. S. government on iron, costs the purchasers of agricultural implements in the country from fifty to seventy million dollars a year over what the same would have cost had iron been free. During the past ten years, the tariff on iron has reached from fifty to eighty million dollars a year. For what? We are told (1) To secure the American workmen high wages. For ten years we have examined this subject with all the thought we possess, and it seems to us, that it is not the American but the foreign workmen who receives the advanced wages. Are not nine-tenths of the workmen in the iron industries of Pennsylvania of foreign birth? In every protected industry we have been able to examine, the protected workmen are of foreign birth, and year by year, of a lower and lower class of Europeans. That the iron industry is *over-protected*, one has only to compare wages paid in iron works with wages of farm hands, and then to examine the enormous fortunes which *successful* manufacturers have been able to accumulate in the past generation.

(2.) Manufacturing industries are protected to benefit the farming communities adjacent, to produce "home markets." I hold, and I do not fear successful refutation, that those regions nearest protected industries are most demoralized, and leaving out of the question the great rise in the value of farm lands in such places, from the greatly augmented population, farming in such places would be to-day *nearly utterly ruined*. 1. By the great increase in wages beyond the ability of the farmer to pay, and (2) by making discontented the boys and at-

tracting them from the farm, not to higher and better work, but to the cities where they are lost in the general population. These statements I have reason to believe are beyond refutation. These incidents recently occurred. One of our most promising young business men made a visit to Chester and Montgomery counties. On his return, I asked him what he thought of that portion of the state. He replied, "I was much disappointed. 'Why?' I asked. 'Because the country is so backward in general improvements,' was the reply. And just a little later, a young man from Chester county, visiting me, remarked, 'It is a constant surprise to me that your farm here in the central portion of the state, *away from the markets*, have so much better improvements than our farms in Chester county.' Which condition was also long a mystery to me. Let me here change the topic a little and quote from Edward Atkinson, as to the work which some of our national taxes accomplish. 'The internal revenue on domestic whiskey more than pays all the cost of the civil government. The excess of the whiskey tax, plus the tobacco tax pays for the army and all the fortifications. The navy floats on beer. The Indian trust fund pays all the Indian bills. Miscellaneous receipts cover all the miscellaneous expenses. Sugar and import taxes on liquors and tobacco, pay postal deficiency, interest on the public debt, and \$10,000,000 over.' It would seem from this that some of us entirely escape taxation (by the national government) except on sugar. Where then is the need of so many other and heavy taxes? To be squandered on public buildings, on pensions, and in providing for the necessities of the office holders. In place of lavishing money on public buildings (to fatten public contractors) on pensions, on a navy which rots faster than it can be rebuilt, would it not be wiser to insist upon the inauguration of measures which would *plainly* benefit *all* the people? Of these measures we name some which seem to me plainly practical. The time is ripe for "penny postage." The postmaster general, in his last report, states that he estimates that the letter postage paid by the people, over and above the cost of carriage of letters, is \$30,000,000, and that this vast sum is largely used in furnishing nearly free transportation to books and newspapers, and *to a very great extent to the benefit* of but a small portion of our population. another flagrant illustration of the taxation of the many for the benefit of the few. Penny postage should be furnished the nation without delay. The time is also ripe for the "free delivery" of mail matter in all portions of the country, villages and the open country, as well as in the cities. It may not be known to members of the Board of Agriculture, that this free delivery of mail now exists in parts of our state, to the exclusion of other parts. When at Johnstown, I found letter carriers going out into the country to the distance of at least two miles, far outside the limits of the town. The national government can and ought to establish *postal* savings banks, where the poor could have *sure* places of deposit for their small savings. And the time is also ripe for the "parcels express," now in operation in all European states. Nor is it too much to ask for government ownership of telegraph and telephone lines and all railroads. If the people's money was expended on such measures, though taxation would be heavy, there would at least be something to show for the money, whereas, under the present system, or rather lack of system, there is nothing to show, except the hordes of hungry office seekers and the contractors.

I am forced to make these strong pleas in favor of more economical use of public monies, because of the very rapid and constant increase



in these expenditures, which, since the adoption of our National Constitution, have been without a parallel in the history of any nation, ancient or modern. Quoting Mr. Carlisle, "We find, however, that while our population in 1890 was only sixteen times as great as in 1790, our expenditures, *excluding all payments upon the interest and principal of the public debt, were more than 130 times as great.* In other words, the population increased from 3,929,214 in 1790, to 62,480,540 in 1890, while the ordinary annual expenditures, excluding payments on the principal and interest of the public debt, rose from \$1,919,592 to \$261,637,203. In 1810 the cost of the National government was 73 cents per person, while in 1890 they were \$4.19 per capita. From 1880 to 1890, in a period of profound peace, while the population increased 24.57 per cent., the expenditures increased 55 per cent. The last congress made appropriations, in the aggregate not far from one billion of dollars!

In conclusion: 1. To reduce taxation, the first thing for the people to do, is to attend to the assessment, collection and disbursement of their own money themselves, and not to turn this over to the professional politicians. I see no hope of relief from the burdens of taxation, except through the influence of the strictly independent voter, constantly exerted. It will not do for him to neglect to make his influence felt in the township, in the county, in the state, or in the national elections. He must be ever on the alert, watching, criticising, and especially voting against all improper acts of the legislators he has created.

2. The people must be alert to demand taxation upon all new forms of property which may arise in the commonwealth. Formerly, there was but little to tax but real estate. Now, the value of real estate is surpassed by money invested in railroads, telegraph and telephone lines, and pipe lines, in all kinds of manufacturing enterprises, in professions and incomes, etc.

3. It is manifestly wrong to lay the heaviest burdens of the government upon the poorest of the people, as is now the case in our government. This our legislators in state and national halls should endeavor to remedy. The writer is not able at this moment to decide that the *single tax on land*, or the *income tax* alone, would produce the greater equality in the distribution of the burdens of government. It does seem, however, that the only way to cope with the gigantic fortunes of the age is by means of a graduated income tax, to impose which the State has certainly the power. It is urged that income taxes can not be collected. If penalties for failure to make returns to the assessors are made heavy enough, there ought to be little difficulty in reaching these cases. The trouble is and always has been, that penalties are heavy against the poor, while light against the possessor of money. It seems to the writer, that a law collecting double, or treble of back taxes, when *after the death* of a man, it should be discovered that he had made false returns, would go a long way to remedy the evil. Such law is, we understand, in force in some of the cantons of Switzerland.

4. Finally, the barest possible amount of money, upon which the government can be run, should be collected from the people. If much is collected, it is almost a moral certainty that much will be squandered. On this point we are fully in accord with our present Governor who in his last inaugural wrote: "Every dictate of public policy suggests that taxation be reduced to the bare needs of the Government. By enforced economy the taxpayer is protected; his burdens are lessened and his thrift is promoted. A revenue in excess of the actual needs of the state puts a premium upon extravagance and wastefulness in legislation."

## THE TAX PROBLEM.

By PROF. JOHN HAMILTON.

### ERRATA.

Page 20, near middle of third paragraph, for city school "ditors" read city school *directors*.

Page 26, first paragraph, for "the private lien" read *the private lane*.

Page 27, note *k*, for "capital stock tax and clearly not" read *capital stock tax and withheld from*. Also in the same note, for "but this is done" read *but this is not done*.

system of taxation that would be free from the objections urged against the old. The commission was selected with unusual care, and after most laborious and painstaking examination of the entire question in all its peculiar phases, failed to reach a unanimous conclusion, and its members have presented several distinct reports, embodying diverse views and suggesting remedies equally at variance with each other.

It has occurred to the writer that a plain statement of the system, as it now exists, might aid the people of the state in getting at an accurate understanding of the situation *as it is*, and thus bring to the solution of the problem, the business sense and professional skill of more persons in the commonwealth than could otherwise be reached, and if, along with such a statement as is proposed, there should go a discussion of the *principles* that ought to underlie every system of taxation, a knowledge of these foundation principles by the people of the state might lead investigation along equitable, logical and consistent lines, and thus avoid much irrelevant discussion and inconsiderate complaint. With this view the following paper has been prepared.

The system of government now in force in Pennsylvania is practically divided into three departments: first, the state, next, the county and last the city, borough and township governments, and all of them are supported by taxes levied with reference to the varying necessities of each. Revenue to meet the expenses of these several departments of the government is raised by taxation levied, for the most part, on the various species of property throughout the state. The authority to assess or value this property is conferred by act of the legislature on local boards of district assessors elected by the people, and the species of property that they are to value are all specified in the law. On this assessment or valuation several distinct sets of public officers are empowered to levy tax.



in these expenditures, which, since the adoption of our National Constitution, have been without a parallel in the history of any nation, ancient or modern. Quoting Mr. Carlisle, "We find, however, that while our population in 1890 was only sixteen times as great as in 1790, our expenditures, *excluding all payments upon the interest and principal of the public debt, were more than 130 times as great.* In other words, the population increased from 3,929,214 in 1790, to 62,480,540 in 1890, while the ordinary annual expenditures, excluding payments on the principal and interest of the public debt—

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## THE TAX PROBLEM.

By PROF. JOHN HAMILTON.

[Delivered before the Pennsylvania State Board of Agriculture, January 29, 1891.]

### PART I.—THE PRESENT LAW AND ITS INCONSISTENCIES.

That the present system of taxation in Pennsylvania is defective, the most superficial examination will clearly show. It is complained that the system as it is carried out in this state causes the expenses of government to fall unequally on the people, that its requirements are based neither on sound economic principles nor on the experience of the most successful governments elsewhere in the world, that it is unscientific, illogical, arbitrary and unjust; and so thoroughly have the people come to believe these allegations, that those who have control of governmental affairs are, in obedience to popular demand, reviewing the system and endeavoring to discover whether the accusations are true, and if true, what practical remedies would correct the defects of the present system and allay the popular discontent.

With this in view, the last legislature made provision for the appointment of a commission to investigate the subject, and, if possible, agree on some recommendations that would certainly and economically provide the revenue necessary for state and local purposes, and form a system of taxation that would be free from the objections urged against the old. The commission was selected with unusual care, and after most laborious and painstaking examination of the entire question in all its peculiar phases, failed to reach a unanimous conclusion, and its members have presented several distinct reports, embodying diverse views and suggesting remedies equally at variance with each other.

It has occurred to the writer that a plain statement of the system, as it now exists, might aid the people of the state in getting at an accurate understanding of the situation *as it is*, and thus bring to the solution of the problem, the business sense and professional skill of more persons in the commonwealth than could otherwise be reached, and if, along with such a statement as is proposed, there should go a discussion of the *principles* that ought to underlie every system of taxation, a knowledge of these foundation principles by the people of the state might lead investigation along equitable, logical and consistent lines, and thus avoid much irrelevant discussion and inconsiderate complaint. With this view the following paper has been prepared.

The system of government now in force in Pennsylvania is practically divided into three departments: first, the state, next, the county and last the city, borough and township governments, and all of them are supported by taxes levied with reference to the varying necessities of each. Revenue to meet the expenses of these several departments of the government is raised by taxation levied, for the most part, on the various species of property throughout the state. The authority to assess or value this property is conferred by act of the legislature on local boards of district assessors elected by the people, and the species of property that they are to value are all specified in the law. On this assessment or valuation several distinct sets of public officers are empowered to levy tax.



For local purposes in the township, taxes are laid by a board of supervisors for the maintenance of roads, by a board of overseers for the support of the poor and by a board of school directors for the support of schools. The powers of these officers are restricted by the law. The overseers of the poor have authority to levy tax to an amount not exceeding one cent on every dollar of the assessed valuation of real and personal estate, offices, trades and occupations liable to taxation for county purposes. The supervisors of roads are empowered to levy tax not exceeding one cent on the dollar on the assessed value of real and personal estate liable to county tax. The board of school directors may levy tax on all property subject to county tax and not exceeding the amount of state and county taxes authorized by law to be assessed provided that any tax on trades, professions and occupations or on single freemen shall in no case be less than one dollar. A special tax for the purchase of ground and for the erection of school buildings may be levied not oftener than once a year, and not exceeding the regular annual tax for that year.

In boroughs the power to levy tax for borough purposes is vested in the borough council, who may lay a tax not exceeding one-half cent on the dollar on the valuation assessed for county purposes, and also for street purposes, and to the same extent as for roads in townships. They also have authority to borrow money for the uses of the borough, not exceeding one dollar in every hundred dollars of the assessed value of the real and personal estate in the borough assessed for county purposes, and have control of streets, pavements, crossings, water works, sewers, etc. Overseers of the poor and school directors in the borough have the same power and are under the same restrictions as in the townships.

The power of taxation in cities is mainly lodged in the city councils, a portion of whose duties and some of the limitations of whose power is given in the following extract from the law: "The council shall levy a sinking fund tax of not less than one mill nor more than three mills on the assessed value of taxable property for the extinguishment of bonded and floating debt. And any future debt contracted shall provide a tax sufficient to pay it off in thirty years—principal and interest." Councils can for "general revenue purposes levy and collect taxes not to exceed ten mills on the dollar in any one year on all real, personal and mixed property in limits of cities taxable under the laws of Pennsylvania." A number of special laws exist applying to cities according to their classification too voluminous to state in this paper. City school directors have power to levy and collect taxes for school purposes the same as similar officers in townships or boroughs, and for the purpose of extinguishing existing debt, the school controllers can annually levy and collect a tax of not less than one mill nor more than three mills upon the assessed value of the taxable property of said cities to be applied to the extinguishment of bonded debt: *Provided*, That the whole tax of such school district for any one year shall not exceed the entire rate now allowed by law for school and building purposes. Councils also have power to levy tax annually not exceeding ten mills on the dollar on all persons and property taxable in cities, for city purposes, for support of the poor (act of 13 May, 1889).

The taxes for county purposes are laid by the board of county commissioners, who are required to make up an estimate of the expenses of the county for the coming year, and then levy tax to meet these expenses not exceeding one cent on every dollar of the valuation of the real and personal property. They have charge of the equalization of the returns

of the assessors of the various townships, wards and boroughs, and hear and decide upon appeals from the valuation of the local boards.

Taxes for state purposes are fixed from time to time by the legislature. The present law imposes a three-mill tax on personal property and includes under this title the items contained in the following schedule: all mortgages, all moneys owing by solvent debtors, whether by promissory note, or penal or single bill, bond or judgment; all articles of agreement and accounts bearing interest; all public loans whatsoever, except those issued by this commonwealth or the United States; all loans issued by or shares of stock in any bank, corporation, association, company or limited partnership, created or formed under the laws of this commonwealth or of the United States or of any other state or government, including car-trust securities, and loans secured by bonds or any other form of certificate or evidence or indebtedness, whether the interest be included in the principal of the obligation or payable by the terms thereof, except shares of stock in any corporation or limited partnership liable to the capital stock tax imposed by the twenty first section of the act of June 1, 1889, or relieved from the payment of tax on capital stock; all moneys loaned or invested in other states, territories, the District of Columbia, or foreign countries; all other moneyed capital in the hands of individual citizens of the state: *Provided*, That this shall not apply to bank notes or notes discounted or negotiated by any bank, banking institution, savings institution or trust company: *And provided*, That it shall not apply to building and loan associations.

Corporations, and limited partnerships, such as railroads, pipe lines, telegraph, and telephone companies water, gas, etc., excepting manufacturing and building and loan associations, pay a capital stock tax consisting of one-half mill on the par value of the capital stock for each one per cent. of dividends declared when such dividend amounts to six per cent. or over six per cent. of the capital stock. When there is no dividend or it is less than six per cent. of the par value of the capital stock, then three mills on the valuation of the capital stock, said valuation to be made under oath by two officers of the company. These companies also pay a tax on mortgage bonds or other securities belonging to them, and also on such securities held in a fiduciary capacity, in such case they pay tax on these securities the same as individuals. Railroads, pipe lines, express companies, telephone, telegraph, sleeping car companies, etc., pay also a tax of eight mills on gross receipts for business done wholly within the state. Railroads, canal companies, etc., pay also a local tax on real estate held by them and not essential to the conduct of their business.

Incorporated banks and savings institutions pay a tax to the state of three mills on the market value of their shares of stock, and said stock is also liable for assessment for local taxes, or the bank or savings institution may elect to collect a tax of six mills on the dollar upon the par value of all of the shares of capital stock and pay the same to the state, and said stock be relieved from local taxes; these companies also pay tax on their real estate the same as individuals. Private banks, etc., pay a tax of three per cent. on their net income and are liable also to local tax on buildings, etc. Incorporated domestic insurance companies pay a tax of three mills on the appraised value of the capital stock and eight mills on gross premiums. Mutual insurance companies pay tax of eight mills on gross premiums. Foreign insurance companies pay two per cent. on gross premiums on all business done within the state. These



companies also pay tax of three mills on all mortgages held when not included in their capital stock.

Notaries public pay a license of \$25.00, and five per cent. on gross receipts. Counties, municipalities and private corporations pay a three-mill tax on the value of their loans. Fifty per cent. of all the receipts of the office of the register and recorder, of writs, wills and deeds in any one year over \$2,000, after deducting office expenses and clerk hire, is paid to the state. The prothonotary of the court of common pleas pays a tax of fifty cents on each summons issued or judgment entered in the court of common pleas, and twenty-five cents on each transcript. The recorder pays fifty cents on each deed, mortgage, release, etc. The register fifty cents on letters to administrators or executors.

Commercial fertilizers pay tax on sales of previous year, if the sales amounted to 100 tons or less, \$10.00 on each special brand; for amounts over 100 tons and less than 500 tons the tax shall be \$20.00, and of 500 tons or more, the tax shall be \$30.00, to be paid into the treasury of the state and constitute a special fund to pay for the analyses of fertilizers, and any balance remaining to be passed into the general funds for the use of the state.

Collateral inheritance pays a tax of five per cent. on the appraised value of the estate after deducting \$250 and expenses and debts.

Retail liquor licenses—\$500 in cities of the first, second or third class; \$300 in other cities; \$150 in boroughs; \$75 in townships. In cities of the first class, four-fifths of the same goes to the city and county and one-fifth to the state. In cities of the second and third classes, two-fifths goes to the city, two-fifths to the county, and one-fifth to the state. In all other cities or boroughs three-fifths goes to the city or borough; one-fifth to the county and one-fifth to the state. In townships one-half goes to the township, one-fourth to the county and one-fourth to the state. The portion that goes to the township to be applied to the improvement of roads.

Wholesale liquor licenses.—\$500 in cities of first, second and third classes, all to the state; \$300 in other cities, all to the state; \$200 in boroughs, all to the state; \$100 in townships, all to the state.

Brewers and distillers.—The same as wholesale liquor dealers, and all goes to the state. Bottlers.—Cities of first, second and third classes, \$200; all other cities, boroughs and townships, \$100. Billiard licenses.—Thirty dollars for the first table, and ten dollars for each additional table; all goes to the state.

Brokers are assessed by the mercantile appraisers, and pay a license of 3 per cent. on estimated earnings and a tax of 3 per cent. on net receipts. Auctioneers pay license same as brokers.

Peddlers, retail.—When they travel on foot, \$8; when they travel with one horse and wagon, \$16; when they travel with two horses and wagon, \$25; wholesale, one-horse wagon, \$40; two-horse wagon, \$50; all goes to the state. Soldiers and sailors disabled by military service, get license without cost.

Theatres, circuses and shows.—Pay in Philadelphia license of \$500; in Allegheny, license of \$200; and in all other counties, \$30. Or may take out a general license by paying \$1,000 dollars to the state.

Bonus on charters.—One-fourth of one per cent. on the capital stock and a like amount for any authorized increase.

## RETAILERS' LICENSE.

ANNUAL SALES.	CLASS.	TAX.	RATE.
\$5,000,000 00, . . . . .	F(a), . . . . .	1,000 00, . . . . .	.006 $\frac{2}{3}$
4,000,000 00, . . . . .	E, . . . . .	900 00, . . . . .	.007 $\frac{1}{2}$
3,000,000 00, . . . . .	D, . . . . .	800 00, . . . . .	.008 $\frac{3}{10}$
2,000,000 00, . . . . .	C, . . . . .	600 00, . . . . .	.01
1,000,000 00, . . . . .	B, . . . . .	450 00, . . . . .	.015
500,000 00, . . . . .	A, . . . . .	350 00, . . . . .	.023 $\frac{1}{2}$
300,000 00, . . . . .	1(b), . . . . .	200 00, . . . . .	.022 $\frac{1}{2}$
200,000 00, . . . . .	2, . . . . .	150 00, . . . . .	.025
100,000 00, . . . . .	3, . . . . .	100 00, . . . . .	.03 $\frac{1}{2}$
85,000 00, . . . . .	4, . . . . .	80 00, . . . . .	.031
75,000 00, . . . . .	5, . . . . .	60 00, . . . . .	.026
60,000 00, . . . . .	6, . . . . .	50 00, . . . . .	.03 $\frac{1}{2}$
50,000 00, . . . . .	7, . . . . .	40 00, . . . . .	.026
40,000 00, . . . . .	8, . . . . .	30 00, . . . . .	.025
30,000 00, . . . . .	9, . . . . .	25 00, . . . . .	.027
20,000 00, . . . . .	10, . . . . .	20 00, . . . . .	.03 $\frac{1}{2}$
15,000 00, . . . . .	11, . . . . .	15 00, . . . . .	.03 $\frac{1}{2}$
10,000 00, . . . . .	12, . . . . .	12 50, . . . . .	.04 $\frac{1}{2}$
5,000 00, . . . . .	13, . . . . .	10 00, . . . . .	.06 $\frac{2}{3}$
1,000 00, . . . . .	14, . . . . .	7 00, . . . . .	.23

(This rate or millage is calculated on the assumption that a merchant has a net gain of three per cent. on all his sales, and the millage would then be as stated in the last column. The millage in the rate column is on the *net income*.)

The present system of revenue, therefore, in general, provides that real estate, such as lands and buildings, together with the tax on horses, cattle, occupations, trades and professions, shall bear the expense of the township, county and municipal government, and that other kinds of property be taxed for the maintenance of the state.

The assessment and valuation of personal property when not otherwise provided for in the law, is made annually by an assessor elected triennially to serve for three years, and the assessment and valuation of real estate is made every three years by the chief assessor and two assistant assessors, the latter elected every three years and holding office for but a single year. This board of three assessors are required to visit each piece of property and value it at what they believe it would sell for at a *bona fide* sale after full public notice. These assessors make their returns to the board of county commissioners, who examine their valuations, and, if in their judgment they are unequal, have power to correct the assessors' lists so as to equalize the valuation. A notice is then sent by the board of commissioners of the county to each taxable on the list stating the amount of tax assessed against him for the ensuing year and appointing a time and place for presenting any objection that he may have to his assessment.

The foregoing is a brief and consequently an imperfect summary of the tax system of the Commonwealth of Pennsylvania.

The law, as I have said, requires the assessors to value all of the property "according to the actual value thereof, and at such rates and prices for which the same would separately and *bona fide* sell" (act of 15th May, 1841). And yet most assessors depart from this plain requirement of the law and assess real estate at not over three-fourths to two-thirds of the actual value of the property, whilst others raise the valuation in adjoining districts to the selling price. In some localities where the majority of voters possess but little property liable to taxation, assessors are elected to raise the valuations on real estate to



more than its full selling value, and in towns and cities where the constitutional limit forbids contracting debt of over seven per cent. on the valuation of the property within their bounds, assessors are sometimes elected to raise the valuation in order that the local debt may thereby be increased. In other districts men of known easy conscience are elected with the distinct understanding that they are to lower the valuation and thus enable the property holders to escape the payment of their just share of the taxes paid by other districts in the state. In many instances the men who are elected have desired the position on account of the income that it produces, or because of the local prominence that it secures, and so are ready to obligate themselves to favor certain persons or certain interests in their district in the valuations for taxation; especially is this the case where the assessor is aspiring to higher position, and feels the need of the influence of prominent property holders for aid in future advancement. Often, also, men are elected to this office who know but little of the true value of real estate, or whose judgment is untrained and therefore unreliable, and consequently glaring inequalities appear in their returns. The pressure in the rural districts is mostly for a lower rather than a higher valuation, and in the towns and cities for a higher rather than a lower valuation, and as this pressure increases, the discrepancy in valuation will increase, until city and country property will each be very unfairly taxed. To correct these inequalities there is no power but that of the commissioners of the county, who are authorized to equalize the valuations whenever, in their judgment, such equalization is required. For them to do this justly, would require an intimate acquaintance with every piece of property within the county, and a knowledge of the peculiar surroundings of every acre of land and house and lot included in the assessor's list. Such knowledge is clearly beyond their power to secure. Commissioners can have this acquaintance only in a limited degree, and the labor and vexation that the present method imposes on the board is almost unendurable and requires duties that no commissioner can fairly perform.

But the evil does not stop with this. Not only do the townships, wards and boroughs differ in their valuation, but the counties also vary in their assessment from each other and from year to year. This is illustrated by some statistics made up by the Secretary of Internal Affairs in his report for 1877, when real estate and horses and cattle were taxed for state as well as county purposes. The tables show that in valuing cattle the prices varied in the different counties, from \$8.61 to \$32.80, and in horses and mules, from \$17.15 to \$82.00. The statistics show that in one county, with a population of 4,863 taxable persons, there were \$19,578 worth of pleasure carriages, and in another county, of 12,124 taxables, there were but \$850 worth of pleasure carriages. The same report shows that there were, in 1877, but thirty-two watches in the city of Scranton and 147 in the city of Harrisburg. One county reports an increase of 201 per cent. of its taxable property over the year before and another 173 per cent. Another county lost 23 per cent. and another 13 per cent. One county reports that it had 9,461 acres less cleared land in 1889 than it had in 1888, and that it had but 4,261 acres more timber land in 1889 than in 1888, showing an extraordinary growth of timber in that region in one year of 4,231 acres, and that during the same year there had, in addition, dropped from the county 5,230 acres of cleared land. And in the report last referred to, the statistics for the state shows, taking only those counties that reported in full, that there were 230,800 acres

less cleared land in 1889 than in 1888, and at the same time 221,667 acres less timber land in 1889 than in 1888, or that the state, in some way not accounted for, had lost, in one year, 452,467 acres of its territory. A system of assessments that admits of such inequality and inaccuracies and inconsistencies is certainly very defective and ought to be modified in the interests of equity and morality.

Inconsistent, inaccurate and inequitable as the method of assessment of property is in the state, is it any more inconsistent, inaccurate and inequitable than that which follows; namely, the *levy* of the tax?

An examination of the tax schedule as given in the former part of this paper will reveal some of these inequalities and inconsistencies which are the undoubted source of much of the popular dissatisfaction that is manifested wherever the question of revenue is discussed.

It is shown by reliable statistics that the tax on real estate, and including horses and cattle, varies in the state from 8 to 40 mills on the dollar of valuation, and that the average is about 15 mills on the dollar of the actual value of the property (a).

(a) The report of the Secretary of Internal Affairs for 1889, page 216, gives the aggregate of all property taxable for county purposes to be \$2,121,653,452, and the aggregate amount assessed for county purposes to be \$17,768,260.93, which would show an average of .0083 as the average tax for county purposes in 1889.

Add to this the tax for the support of the poor in 1889, see page 309 Secretary of Internal Affairs' report, \$1,665,948.34; also same page, Secretary of Internal Affairs' report, for the maintenance of roads, \$4,742,701.30; making a total of \$6,408,649.64, or 3 mills more, making the average tax for county purposes, poor and road, in 1889 to be .0113. Add the average tax for 1889 for the support of schools, see report of the Superintendent of Public Instruction, 1889, .00932; making a total of .02062. Estimating that the valuation is on the basis of three-fourths of the actual value it would reduce the average on the actual value to .01545.

The above is for all kinds of real estate. The tax on farm property is approximated in the following statistics:

Thos. J. Edge, Secretary of the Pennsylvania State Board of Agriculture, collected statistics in 1890 from actual sales of farm property in the State of Pennsylvania, showing the amount of those sales and the tax that was paid by each piece of property.

The total number of farms returned was 566 in forty-eight counties. These farms sold for \$4,225,805; the taxes paid by them was \$40,282.65; the rates in actual value, not deducting personal property, is .0953; after deducting personal property, .0863.

The following rates of tax assessed in the various townships of Centre county, Pa., for 1890, omitting the boroughs, shows substantially the same result. The average rate in twenty-six townships is .0133 on the assessed value of the property, and on a three-fourth basis this would be .0996 on actual value of property in the county outside of the boroughs including horses and cattle.

It is therefore substantially correct to estimate that real estate in the aggregate pays 15 mills in actual value and the portion used as farm property pays about 9 to 10 mills on the actual value.

## RATE FOR 1890.

	Road.	School.	Poor.	Total.		Road.	School.	Poor.	Total.
Benner, . .	5	3	1	9	Miles, . .	3	3	1	7
Boggs, . .	6	8	4	18	Patton, . .	3	2 $\frac{1}{2}$	1 $\frac{1}{2}$	7
Burnside, .	6	6	2	14	Penn, . .	3	2	1 $\frac{1}{2}$	6 $\frac{1}{2}$
College, . .	2	5	7	14	Potter, . .	3	2 $\frac{1}{4}$	2 $\frac{1}{4}$	7 $\frac{1}{2}$
Curtin, . .	10	7	2	19	Bush, . .	8	8	7	23
Ferguson, .	3	3	1 $\frac{1}{2}$	7 $\frac{1}{2}$	Spring, . .	3	5	2 $\frac{1}{2}$	10 $\frac{1}{2}$
Gregg, . .	3	3 $\frac{1}{2}$	1 $\frac{1}{2}$	8	Snow Shoe	10	7	10	27
Haines, . .	3	2 $\frac{1}{2}$	1	6 $\frac{1}{2}$	Taylor, . .	15	8	6	29
Half Moon, .	2	2	1	5	Union, . .	7	7	6	20 $\frac{1}{2}$
Harris, . .	2	3	2	7	Walker, . .	2 $\frac{1}{2}$	3 $\frac{1}{2}$	2 $\frac{1}{2}$	8
Howard, . .	7	7	4	18	Worth, . .	4	10	3	24
Huston, . .	11	7	3	21	Jones, Ind.				
Liberty, . .	9	6 $\frac{1}{2}$	3	18 $\frac{1}{2}$	Dist., . . . .		20	...	20
Marion, . .	2	2 $\frac{1}{2}$	...	4 $\frac{1}{2}$					347

County tax (2 mills). Average, .00996; county, 2 mills; total, .01196.



On comparing the rates levied on different objects of taxation we find that mortgages on real estate pay a three-mill tax whilst the real estate covered by the mortgage pays fifteen mills. The mortgage bears six per cent. interest and the real estate if farm land about four per cent. Banks and saving institutions pay six mills on their capital stock, and real estate pays fifteen mills on its capital stock, or  $2\frac{1}{2}$  times more than the bank.

A private banker pays three per cent. on net income after deducting interest on loans. A real estate holder pays about twenty-five (*b*) per cent. on net income and six per cent. on loans besides.

A real estate owner pays a tax of fifteen mills on debts whilst bonds and mortgages in the hands of corporations theoretically pay three mills, (*c*) but practically pay almost nothing.

A domestic insurance company pays an eight-mill tax on gross premiums, and a foreign insurance company pays twenty mills on the same property.

Taking the mercantile appraiser's list and counting that a merchant will clear three per cent. in the aggregate on all his sales, we find his tax rated as low as ( $6\frac{2}{3}$ ) six and two-thirds mills on his net income, whilst a farmer, with a net income of four per cent., pays two hundred and fifty mills on his net income. Or, if we take the mercantile appraiser's list and compare it with itself, where we would naturally expect consistency we find that it varies from six and two-third mills to sixty-six mills on the same kinds of property in the same town and on the same street.

Or, taking the tax on professions, we find in some localities that a lawyer who has just passed his examination for admission to the bar is taxed equally with old attorneys whose income may be \$20,000 per year. Or a minister of the gospel who is on some miserable salary, and dependent on the charity of the community for a bare living, is taxed equally with the high-salaried preacher of the county towns (*d*).

The only cow of a poor man may be taxed as much as 50 mills on the dollar of her valuation, and the \$150,000,000 capital stock of the manufacturing establishment of the millionaire in this State pays nothing.

A railroad over nine miles long reporting a capital stock of \$300,000

(*b*) A farm worth \$5,000 will pay a tax of about ten mills, and its net income will not be over four per cent. or \$200.00. This would be a tax of twenty-five per cent. on the net income.

(*c*) See note (*l*) page 12.

(*d*) The commissioners of Centre county, Pennsylvania, in issuing instructions to assessors April 1st, 1890, provided them with the following schedule:

So that the valuation of professions, trades, occupations, etc., shall be uniform, you will adopt the following schedules, viz:

Lawyers, . . . . .	\$250	Bank cashiers, . . . . .	\$250
Physicians, . . . . .	200	Editors, . . . . .	150
Ministers, . . . . .	75	Printers, . . . . .	75
County superintendent, . . . . .	250	County officers, . . . . .	200
Professors of colleges and academies, . . . . .	250	President judge, . . . . .	300
Superintendents of high schools, . . . . .	200	Agents, of all kinds, . . . . .	100
Common school teachers, . . . . .	50	Telephone operators, . . . . .	100
Merchants, . . . . .	200	Telegraph operators, . . . . .	100
Shop keepers, . . . . .	100	Manufacturers, . . . . .	200
Clerks, . . . . .	100	Inn keepers who have license, . . . . .	200
Mechanics, . . . . .	100	Inn keepers having no license, . . . . .	100
Apprentices, . . . . .	50	Saloon and restaurant keepers, . . . . .	150
Bosses and foremen, . . . . .	75	Gentlemen and men of leisure, . . . . .	100
Civil engineers, . . . . .	250	Laborers, . . . . .	50
Surveyors, . . . . .	150	Invalids and poor, . . . . .	20
Bank presidents, . . . . .	400		

and a bonded debt of \$300,000 more, running two freight and four passenger trains each day, except the Sabbath, paid \$18.00 tax in 1889 (*e*). A farm in the same county assessed at a valuation of \$5,000, paid \$53 tax, and a dwelling worth \$3,000 in the town in which the railroad terminates pays \$105.00 of local tax. Another road in an interior county  $23\frac{1}{2}$  miles long, reporting a capital of \$600,000 and bonds to the extent of \$364,000.00 in 1888, paid no tax in 1889 (*f*).

The private lien on a Pennsylvania farm pays the full local tax assessed upon the land, whilst the 85,636 acres of valuable land on which is located the 11,775.46 miles of road bed of the great railway corporations of the state, with all their valuable improvements, are wholly exempt from local taxation and only slightly taxed for state purposes. The average cost of the 11,775 miles of railroad and their equipment is \$69,710 per mile, making the total cost of the railroads in Pennsylvania, with their equipment, \$820,841,137. This, at 15 mills on the dollar, would be \$12,312,617.05 on their real estate and rolling stock, whereas the total tax received from corporations of every kind in Pennsylvania, in 1889, was \$2,470,027.87, or all of these corporations of the state combined paid less than one-fifth of the amount that the railroads alone should pay if they would pay an equal millage with other kinds of real estate.

The \$575,000,000.00 (*g*) returned as the value of the mortgages, judgments, bonds and money at interest in the commonwealth in 1890, paid a 3 mill tax, or \$1,725,000. If this property had paid a fifteen mill tax the revenue derived from it would have reached \$8,625,000.00, or five times as much (*h*).

The \$42,181,342 dollars worth of cattle and horses in Pennsylvania averaged in with real estate, may be said to have paid, in taxes \$632,720, whilst the \$75,000,000 of stock of building and loan associations paid nothing. If this last had been taxed at the same rate, it would have yielded a revenue of \$1,125,000. The 11,411.01 miles of telegraph and telephones in Pennsylvania in 1888, with a paid up capital stock of \$6,109,729.03 paid into the state treasury \$26,218.39 in 1889 or .0042 tax (*i*). If this money had been invested in real estate it would have paid a tax of \$91,645.93, or \$65,427.54 more than they did pay.

Counties and municipalities are required to pay a tax of three mills on the value of their loans, which loans in 1880 amounted to \$98,249,246 (*j*) in the towns and cities of Pennsylvania, whilst the \$697,369,151.41 (*k*), on

(*e*) Bellefonte, Nittany and Lemont Railroad, Auditor General's Report, 1889, page 8. Also Report Secretary of Internal Affairs, Part IV, page 87, 1888.

(*f*) Buffalo Run, Bellefonte and Bald Eagle Railroad Company. Secretary Internal Affairs Report, 1888, Part IV, page 133.

(*g*) Auditor General's report to Secretary Edge, October 20, 1890, gives bonds, mortgages, judgments and moneys at interest at \$575,000,000.00.

(*h*) Same as above.

(*i*) See Auditor General Report, 1889, tax on corporation stocks and on gross receipts, which show gross receipt tax received from railroads in 1889,

On capital stock tax from railroads in 1889, . . . . . \$398,080 38

899,740 59

(*j*) See Taxation in American States and Cities, by R. T Ely, page 514.

(*k*) Secretary of Internal Affairs report, 1888.

	Entire Length.	Miles in Penna.	Per cent. in Penna.
Railroads, . . . . .	22,636.13	16,883.07	.745
Canals, . . . . .	788.00	680.73	.875
Telegraphs and telephones, . . . . .	172,147.58	11,411.81	.066



the bonds of the railroad, street car, canal and telegraph and telephone corporations of the state paid (l) \$49,737.25 in 1889 = .0007. If these corporations paid, as real estate owners pay, 15 mills on their funded and unfunded debt, this sum would reach \$10,460,537.27, which in itself would be more than one-fourth of the entire cost of local and state government for the year.

The aggregate amount of property taxable for local purposes in 1889 was, \$2,121,653.452 (m). This at 15 mills would equal a total tax of \$31,824,801.78. The aggregate amount returned by the counties as taxable for state purposes was \$448,537,130 (n), and the aggregate amount of state tax received was, therefore, \$1,345,614.34 (o), or about 3 mills as against 15 mills on real estate. In order to be equal, the receipts for state tax should have been \$6,728,076.95, or \$5,382,442.61 more than was received. This would have given \$2,000,000 more for public schools, \$2,000,000 to the improvement of the roads throughout the state, \$1,000,000 to public charity, and \$382,442.61 as a balance for contingent expenses. The fact that different kinds of property are valued in different ways, makes it difficult to present a statement that will show the number of mills tax that each pays on the actual value of its property. For instance, a real estate owner pays fifteen mills on the actual value of his real estate, but a railway corporation pays three mills on capital stock, eight mills on gross receipts, and three mills on mortgages and securities held, in all fourteen mills. One cannot conclude from this that the two kinds of property pay tax within one mill of being equal. To compare them it is necessary to reduce the railroad property to its actual value and see what tax it pays on that. The report of the Secretary of Internal Affairs for 1888 shows that the total capital stock paid in on all the roads doing business in the state was \$776,066,315.60. That the funded and unfunded debt was \$865,723,298.38, and that the value of the real estate, exclusive of roadway, was \$16,059,307.77, making the total value of property owned by companies doing business in the state to be \$1,657,788,921.75. The actual cost of these roads with their equipment is given at \$1,068,035,596.47, or \$589,753,325.28 less than their reported value, that is, interest and dividends are paid on more than one-half more property than

	Total funded and unfunded debt.	Per cent. in Penna.	Amount in Penna.
Railroads, . . . . .	\$865,723,298.38	.745	\$644,923,857.29
Street car companies, . . . . .			10,126,539.18
Canals, . . . . .	47,406,614.16	.875	41,480,787.39
Telegraph and telephones, . . . . .	12,696,478.13	.066	837,967.55
Total in Pennsylvania in 1888, . . . . .			\$697,369,151.41

See Secretary of Internal Affairs Report, 1888. It is claimed that this is reached in the capital stock tax and clearly not interest paid to resident bondholders, but this is done for a three mill tax on this would amount to \$2,092,107.45, whereas the entire tax from corporations capital stock and gross receipts, was, in 1889, only \$2,470,027.87. See Auditor General's Report, page 3, 1889.

(l) The actual payment of interest on loans by the following corporations were, in 1889, see Report of Auditor General, pages 94-106.

Steam railroads, . . . . .	\$38,004.11
Street car companies, . . . . .	11,569.94
Telegraphs and telephones, . . . . .	163.20
Canals, . . . . .	000.00
Total, . . . . .	\$49,737.25

(m) Secretary of Internal Affairs Report, 1889, page 217.

(n) Secretary Internal Affairs Report, 1889, page 219.

(o) Secretary of Internal Affairs Report, 1889, page 219.

the roads and equipments cost, showing that either the stock has been watered or it has advanced in value to a remarkable degree. The total earnings of these roads for 1888 are given as amounting to \$209,709,975.56. Seventy-four and one-half per cent. of this, which is the mileage in Pennsylvania, would show a gross earnings of \$156,233,931.79, whereas the companies report their gross earnings in Pennsylvania for that year to have been only \$62,207,801.98, or \$93,426,729.81 less than the mileage would show, and this means that the 5,753.06 miles of railway running out of the state earned \$146,902,773.58, and the 16,883.07 miles of railway in the state earned only \$62,807,201.98: Or, in other words, each mile of road out of the state earned \$25,535 per mile, and each mile of road in the state only \$3,720 per mile.

But taking the figures as they give them, that is, the total receipt in 1888 as \$62,807,201.98, an eight-mill tax on this would be \$502,457.61, and yet in 1889, the Auditor General reports the gross receipts tax received from railroads to have been only \$398,080.38, or \$104,377.23 less than the companies reported the year before. If the gross receipts in the state in 1888 had been in proportion to the number of miles of railroad in the state, or 74½ per cent. of the total gross receipts of the railroads doing business in the state, the sum realized would have been \$1,249,871.45, or \$851,791.07 more than was realized in 1889. If this discrepancy is explained on the ground that the difference is due to tonnage transported through, or partly in and partly out of, the state, which cannot be taxed, it still shows that a large portion of the tonnage escapes taxation, and the companies are, to that extent, relieved from the burden of state expense that they ought to share.

The same report of the Auditor General shows that the total corporation tax on capital stock paid by railways in 1889 was \$899,740.59. Adding to this the amount received from tax on gross receipts of railways, \$398,080.38, and we have as the total amount of tax paid by these companies in 1889, \$1,297,820.97, not counting the \$38,004.11 paid on loans and also the commutation tonnage tax (p). This would represent a tax of more than one and a half mills on the cost of the roads and equipment in Pennsylvania in 1888. Or it would be one mill on the capital stock, funded and floating debt, and real estate off the line of roadway, in Pennsylvania in 1888. Or it would be two and a quarter mills on the proportion of capital stock in Pennsylvania in 1888. Or it would be two mills on the funded and floating debt of the companies as reported in 1888.

The Secretary of Internal Affairs in report on railroads to June 30, 1890, gives total earnings and incomes of railroads, \$270,442,882.80; total expenses, \$235,560,086.19; making net income for year ending January, 30, 1890, \$34,882,796.61. He also gives the total cost of the roads and their equipment at \$1,311,245,952.80, thus showing that the net earnings were two and two-thirds per cent. of cost of roads and equipment. These companies pay a tax, as we have shown, of more than one

(p). Report of Secretary of Internal Affairs, on Railroads, 1888.

Cost of road and equipment in 1888, \$1,068,035,596.47; per cent. in Pennsylvania, 74½; amount in Pennsylvania, \$795,686,519.37; total tax for railroads, \$1,297,820.97 = .00163.

Capital stock, funded and floating debt and real estate, \$1,657,788,921.75; per cent. in Pennsylvania, 74½; amount in Pennsylvania, \$1,235,052,746.70; total tax from railroads, \$1,297,820.97 = .00105.

Capital stock, \$776,066,315.60; per cent. in Pennsylvania, 74½; amount in Pennsylvania, \$578,169,405.12 = .00224.

Funded and floating debt, \$865,723,298.38; per cent. in Pennsylvania, 74½; amount in Pennsylvania, \$644,963,857.29 = .002.



and a half mills on cost of road and equipment, which would be 6 per cent. on their net income, whilst real estate pays 25 per cent on its net income. These figures show that these corporations pay about one mill tax on the same value of property as that on which real estate pays 15 mills, namely, on road bed, rolling stock, buildings and bonded debt. If the business of other corporations and subjects of taxation were to be investigated, they would doubtless show similar inequality of tax, when reduced to the same basis as real estate.

If all kinds of property in the commonwealth that ought to be assessed, were taxed in equal proportion, what rate or millage would be required in order to meet the expenses of the state?

The property assessed for tax for local purposes in

1889 amounted to (g), . . . . .	\$2, 121, 653, 452 00
Steam railroads in 1888 (r), . . . . .	795, 686, 519 37
Street railroads, 1887 (error in 1888 report) (s), . . . . .	12, 326, 068 63
Telephone and telegraph companies, with a paid up capital stock of \$92, 571, 652.06, and a total of 172,147.5 miles of wire, 11,411.81 of which are in Pennsylvania, or 6.6 per cent. (t), . . . . .	6, 109, 729 03
Canal companies, with a capital stock, in 1888, of \$50,959,208.00, with 778 miles of canal in all, of which 680.70 miles or 87.5 per cent. are in Pennsylvania (u), . . . . .	44, 539, 307 00
	<hr/>
	\$2, 980, 315, 076 03
Manufacturing companies (v), . . . . .	150, 000, 000 00
Building and loan associations, . . . . .	75, 000, 000 00
Mortgages and judgments, . . . . .	575, 000, 000 00
Banking capital, . . . . .	100, 000, 000 00
Gas companies, turnpike companies, oil lines, ferry, water, steam-ships, market, heating, lighting, power, bridge, mining, etc., estimated, . . . . .	500, 000, 000 00

making a total of taxable property of . . . . . \$4, 380, 315, 076 03

in the state, the taxes on which must be sufficient to maintain the expenses of the government of the state.

What are these expenses?

A tax of 15 mills is now levied for local purposes on real estate in the commonwealth, and the total amount of property taxed for local purposes is given by the Secretary of Internal Affairs in his report for 1889, page 217, at \$2,126,653,452.00; a 15 mill tax on this would therefore be \$31,824,801.78, which represents the expenses of local government for 1889; the expenses of the state government for 1889, were, as per Auditor General's report, 1889, page 183, \$8,182,847.34; making a total of \$40,007,649.12 as the total of expenses of local and state government for that year. The total receipts of the state as reported by the Auditor General for 1889 was \$8,465,399.22. Deducting from this \$3,013,386.48, which was received from lands, tax on capital stock and limited partnerships, gross receipts of corporations, bank stocks and net earnings, all of which

(g) Report of Secretary of Internal Affairs, Part II, page 217, 1889

(r) See note (p), page —.

(s) Secretary of Internal Affairs report, 1887.

(t) Secretary of Internal Affairs report, 1888.

(u) Secretary of Internal Affairs report, 1888.

(v) See statement of Auditor General October 20, 1890, to Secretary Edge.

have been included in the above statement of the total taxable property of the commonwealth, and we have left \$5,452,012.74 as the balance received by the State Treasurer in 1889 from sources not included in the above schedule. Deducting this from the total expense of government \$40,007,649.12, and we have \$34,555,636.38 as the amount to be raised by tax on \$4,380,315,076.03 of property; this would require a tax of .00788 on the dollar, which would be a reduction of about one-half of the tax now borne by real estate.

The present law exempts from taxation state bonds to the extent of millions of dollars. Why these should not pay tax the same as those of private debtors, is not satisfactorily shown.

Such a tax could easily be collected, and without expense, and the holders of these bonds would be injured no more than the holders of county or municipal bonds, and the same arguments that are used in defence of the exemption of state loans from tax are equally applicable to every county and municipal loan in the commonwealth.

If the argument is sound that state securities should be exempt, on the ground that they can thereby be negotiated more readily and at a lower rate of interest, and since the taxpayers of the state have ultimately to pay the principal and interest, that it is therefore to their advantage to grant the exemption, because they will have less to pay, then the same reasoning will equally apply to a city, a borough, or a county. An equitable tax system must not permit the state to deal with partiality and grant special protection to a few and forbid it to the mass of her population, and for her to use her supreme power in protecting her special creditors from their just share of the burdens of government, is to take an arbitrary and unfair advantage of the rest of her citizens from whom she exacts the uttermost farthing. To be consistent the state should not have preferred creditors, but should exact the same from all. The public debt, as given by the State Treasurer, December 1, 1889, was \$13,856,971.28, and every mill of tax on this would add to the state revenues \$13,856.97. It is objected that it is too late now to remedy this evil that exists, as the bonds cannot now be changed, and the sum that the state would receive would in any case be very small. Whilst both of these objections are strictly true, still they do not affect the soundness of the principle that is involved, and since we are now endeavoring to discuss the principles that should control an equitable system of taxation, it does not follow, because the present law forbids the application of the principle to past or existing methods, that *future* legislation in this respect shall not be governed by equitable rules.

A large class of industries, representing a capital of \$150,000,000.00, has recently been exempted from taxation in this state. I refer to the companies engaged in manufactures in Pennsylvania. Lest I should be misunderstood, I wish to say right here that I am a Republican in politics and believe in the proper protection of American industries, but I do not hold that manufacture is the only American industry. Why this particular form of industry should be exempt when almost all others are liable to taxation is difficult for the average taxpayer to understand.

The only just reasons why property should be exempt from taxation are :

1. That the property is unproductive.
2. That the expense of collecting the tax is greater than the amount collected.
3. That assessors are unable to discover the property.



4. That the amount of property of the kind is insignificant.
5. That it already pays a tax directly to the state.
6. That a tax on the business will react injuriously on the mass of the citizens of the state.
7. That the business promises to be of great value to the state, but as yet it is in a precarious and uncertain stage of development.
8. That its presence is indispensable to the prosperity and development of the resources of the state and that a tax would drive the industry out of the country.
9. Public property used for public purposes, actual places of religious worship, places of burial not held for private or corporate profit and institutions of purely public charity.

Can it be truthfully said that the manufacturing industries of the state can rightly claim exemption on any of these grounds? Are not these industries sufficiently protected by the tariff laws of the general government, without its being necessary to aid them still further by relieving them from all of the burdens of the state? Are they more important than agriculture, or transportation, or commerce, or mining, or many other industries that are now required to support the state? Are their profits so meager as not to justify the payment of their share of the expenses of the government that protects them? Are they to be classed with the paupers of the country who are exempt on the ground that they are incapable of self-support and are a helpless charge on the charity of the state?

We fully grant that these manufacturing industries are of untold benefit to the people of the state, and their usefulness and importance can hardly be exaggerated, and on this and many accounts that cannot be here recited, they should be protected from overthrow by foreign governments and are entitled to the temporary advantages of the discovery of new and improved processes in manufacture and design, under the laws protecting patents in this land. But when, in addition to these advantages, they ask of the other industries, immunity from all obligations to aid in the support of the government that thus protects and guards them, it strikes an unprejudiced observer as unreasonable and unjust. Are they to be forever the special wards of the commonwealth; or if not, when, is it predicted, will they be able to stand alone? Are the other industries forever to bear this burden, or if not, when shall they be relieved?

The manufacturing industries, as I have said, represent a capital of \$150,000,000.00 in this state; how many more millions must they have before they become able to endure the responsibility of citizenship? Will they ever become naturalized and assume the duties of American freemen? Whenever we wish to impress our visitors, we show them through these immense and imposing manufactories of Pennsylvania, and their managers, with natural pride, discourse on their completeness and extent. But when they receive a visit from the assessors of domestic tax, they instantly shrink into insignificant and helpless paupers. Their position is unmanly, unpatriotic, unfair, un-American and unjust.

He is rightly regarded as a mean man who, although able, refuses to pay his fare on a railroad train, a street car or steamboat, or to pay for the services of his tailor or boot black or wash woman, but expects his friends to pay his way through life. Is not an industry likewise degraded, when it permits its overtaxed neighbors to pay its fare, though its bonds are sold at par, and its managers live in the aristocratic mansions of the wealthy? Is it not time to adopt manly, straightforward,

and energetic business methods in dealing with these institutions, now the willing recipients of public charity, and place them where they justly belong, in the common list of those who, according to their ability, contribute to the support of the government under which they live? I know that numberless excuses are offered, attempting to justify this exemption from taxation, but the limits of this paper forbids discussion, in any exhaustive way, of the reasons that controlled the legislature in enacting such a law. It is enough to say that none of the reasons there presented shake the soundness of the principle, that *nothing justifies the public support of pauperism except inability to earn a living*. The Auditor General, in his report for 1886, states that by the repeal of the tax on the corporate stock of the manufacturing companies of the state, the commonwealth annually loses \$300,000 that must now be raised by taxing other industries with greater severity than before.

There is, however, another subject of taxation from which the state received in 1889, \$1,378,453.71, that in my judgment, ought to be exempt. I refer to the tax on collateral inheritances. By the law of Pennsylvania, "all estates, real, personal and mixed, of every kind whatsoever, passing from any person who may die seized or possessed of such estate, being within the commonwealth, either by will, or under the intestate laws thereof, or any part of such estate or estates, or interest therein, transferred by deed, grant, bargain or sale, made or intended to take effect in possession or enjoyment after death of the grantor or bargainor, to any person or persons, or to bodies politic or corporate, in trust or otherwise, other than to or for the use of father, mother, husband, wife, children and lineal descendants, born in lawful wedlock, shall be and hereby are made subject to a tax or duty" \* \* \* "for the use of the commonwealth," act of April 7, 1826; and by act of April 22, 1846, this tax was made "five dollars on each and every one hundred dollars of clear value of such estate or estates."

This tax was originally devoted to the purpose of supplying revenue to the Internal Improvement fund. The amount received from it in 1830 was \$18,686.69, in 1840 was \$23,548.91, in 1850 was \$102,295.07, in 1860 was \$146,846.96, and in 1889 was \$1,378,453.71. The sum thus collected with scarcely any trouble or expense, has grown from something over \$18,000 in 1830, to about \$1,400,000 in 1889, and the abolition of the tax would make serious inroads on the revenues of the state. But if it can be shown that the tax is essentially unjust, and also opposed to sound economic principles, it ought to be abandoned, notwithstanding the revenue that it secures.

If the property, during the lifetime of its possessor, had escaped taxation, and the fact had been discovered only at his death, the right of the state to present her claim for the protection that she had given, would be recognized as just, and the collection of the claim be consequently a proper exercise of her supreme power. But when the property has, during the existence of its owner, paid its full share of the taxes levied by the government, how can the commonwealth come in at death and present any just claim against the estate. The property, if realty was originally purchased from the state and a deed in fee was granted by the commonwealth to the purchaser; under what principle does the state come in at death and claim a slice of the property that it has sold, and do this, not once nor twice, but as often as the special conditions arise that are enumerated in the act of 1826? If the title to an estate was properly acquired in the first place, all courts of



equity and justice recognize the right of the owner to transfer it during his lifetime to any individual or corporation that he may see fit. But when, by will or obligation made during life, he undertakes to transfer his property to collateral heirs at death, then a right is exercised by the commonwealth to appropriate part of the estate. If property can thus justly be arrested in its devise, then that which descends by regular succession in the line, should pay a tax as well as that which goes to collateral heirs. The fact of nearness of kin cannot affect the principle involved. The defence offered for this practice is that the tax is easily, promptly and economically collected, and that those who inherit, as collateral heirs, are getting the property without effort and at no expense. This kind of reasoning ignores principle, and adopts the theory that it is right for the state to get what it can easily and safely secure, provided it rob only those who receive estates through the gifts of considerate friends, and that it is a legitimate exercise of power, to take such portion as it may see fit, out of bequests made to a public or private charity, and divert it from its intended purpose to the general expenses of the state. This is arbitrary and unreasonable, and can have no place in any equitable system of taxation. Such exercise of power is wrong on economic principles also. The collateral inheritance tax is a confiscation of a portion of the original estate, and to that extent takes from the possessor his ability to produce wealth. Besides, any tax that requires for its payment a portion of the original property, will in time, absorb the entire estate. To tax a legacy of \$1000 dollars 50 per cent., would take one half of the original amount. Another tax on the portion that remains, would reduce the estate to  $\frac{1}{4}$  of the sum at first bequeathed, and a third tax of 50 per cent. more, would leave only \$125 to the final legatee. The tax has reduced the producing power of the estate from \$60 to \$7.50 per year, or the difference between the interest of \$1,000 and that of \$125. Such action tends to the discouragement of production, and its manifest injustice ought to exclude it from the statutes of the state. Just here let me quote from an eminent authority on taxation, partly because he presents the truth that I wish to urge, and partly because he states in brief and comprehensive form, a principle that will be of first importance in the subsequent discussion of taxation in the state; McCullough says: "whenever the burden of taxation is not fully compensated by increased production or increased saving, it must encroach on the means of future production, and the country will begin to retrograde. Taxation, when carried to this extent, is one of the severest scourges to which a people can be subjected. By diminishing capital, or the *funds destined* to support productive industry, it lessens the only fund out of which taxes can be permanently paid; and lays the sure foundation of public poverty and disgrace in the destruction of individual fortunes. Like falling bodies which are precipitated with a constantly increasing velocity, a system of taxation acting on capital, multiplies pauperism and distress in a geometrical proportion, and destroys alike the *desire* and the *means* of reproduction \* \* \* \* of all species of taxes, those would seem the worst which *necessarily* fall on capital, without giving the contributors an opportunity to defray them from revenue. By diminishing the means of reproduction, they in so far diminish the future taxable income of the country. \* \* \* \* Capital consists of produce saved from consumption, and is employed for the maintenance of those who are in the work of production. To diminish it is to diminish revenue and so impoverish the state." The wisdom, therefore, of the state in confiscat-

ing the original capital of her citizens, is about parallel with that of the man who owned the celebrated goose that laid the golden egg. Is it not far better to rest satisfied with the usual tax that all property endures, than to greedily board a railway train and, with cocked revolver, compel the passengers to hold up their hands and then proceed to collect the toll, or in other words, to do an act because you have the power, without regard to the equity of the principles involved.

The present law permits another practice that works injustice and ought to be corrected. I refer to the taxing of the same money twice, or what is known as double taxation. The owner of real estate is now taxed on his indebtedness, and the holder of a mortgage on his property is also taxed on his mortgage.

A great deal of loose logic is used by economists to show that this is not double taxation, or that it is in the end of great advantage to the owner of the estate. They discuss what is called the *incidence* of taxation, or the final resting place of every tax, and argue that to release the mortgagor and tax the mortgagee is sure to add to the burdens of the owner of the land. But when pressed to show the justice of the practice they are forced to the admission that it cannot stand in equity, but contend that it is justified on the ground that it will lessen taxes on real estate below the present levy. They miss the point. The complaint is not so much against the actual amount of the taxes now assessed, as against the inequitable nature of the system; and it is no answer to this complaint to state that because the existing plan is not so bad as some that could be proposed, therefore the people should be content. To charge one man a double price for an article for which every body else pays but one, would be declared unjust by the most ignorant jury in the land, and for some smart lawyer to attempt to justify it on the ground that it is not nearly so bad as some other practice which charges triple price for the same material, would hardly change the verdict of common sense. Others state that the borrower should pay the tax on all that he has under his control, because he has the use of the estate. Does he not pay the creditor for such use? And does not the lien of the mortgagee on this estate hold good against all the world until the debt is paid? If the debtor were to die would not the claim of the mortgagee take precedence of any other? One reason given for the payment of any tax is that it is due the state for the protection that she provides. In the case before us has not this protection been for the interests of the mortgagee, whose property has been temporarily in the hands of the occupant of the estate. Would it be considered right to assess a tax against a renter who has the temporary use of property on which he pays the usual rent, and also expect the owner to pay a similar tax on the same estate? Surely if this is wrong the other is likewise wrong, for the cases are essentially the same. It is unnecessary to follow all of the arguments that are used in attempting to justify the present system, such as the extreme timidity of money capital, and the consequent difficulty of borrowing if this capital is taxed, or the abuses that they assert will follow if debts are exempt from tax, so long as their conclusions lead to the justification of a system against which the general sense of justice instinctively revolts. The equitable system of taxation would exempt the debtor from taxation to the extent of his indebtedness, and require the creditor to pay the tax, and the special protection that the state now grants to creditors at the expense of the debtor class should be withdrawn, and permit the debtor and creditor to settle their affairs in the open market, and the



borrower can rest assured that if the security he offers is ample, capital will not take to its heels and fly away, and the rate that the borrower must pay will be wholly governed by the character of the security that he presents. And it is everywhere agreed that of all of the securities that are offered in the business world, *real estate endorsement is the best.*

Such then, Mr. Chairman and Gentlemen, is a somewhat comprehensive statement of the tax system under which we live, and along with it I have presented, as accurately and impartially as I could, the ground of our complaint. How such a structure has been erected, devoid of plan, with only here and there a foundation principle on which to rest, can be discovered only by a careful examination of the debates and laws of the General Assembly of Pennsylvania for the past one hundred years. The inequalities and inconsistencies that are here set forth, show the absence of any leading, guiding principles controlling the tax legislation of the state, and exhibits, for the most part, a disconnected mass of mere expedients, devised from time to time to secure sufficient revenue to carry on the operations of the state, regardless of any principle of equity or rule of right.

Is there, then, no fundamental economic principle to which our legislation, on this important matter, should conform? Have modern "Civists" no remedy to suggest for existing ills, no ideal standard, practical and comprehensive, that will adjust the burdens of the state in an equitable way? Is there no system of taxation that may be universally applied, that equity and enlightened civilization will approve? Can no set of laws be framed that shall take so much of our old system as is not adapted to the changed conditions that now surround us, and so adjust it as to meet the requirements of modern life and be in harmony with the popular sense of justice? The writer is confident that such a system can be devised, and offers some suggestions with that in view in the following paper on *an equitable system of taxation for the state.*

#### PART II.—A PROPOSED EQUITABLE SYSTEM OF TAXATION FOR PENNSYLVANIA.

"The design and object of laws is to ascertain what is just, honorable and expedient; and when that is discovered, it is proclaimed as a general ordinance, equal and impartial to all." Demosthenes, cited in Christian's notes on Blackstone,

All agree that to attempt to cure the sick by the use of medicines that violate the laws of health, is not to cure but to aggravate the disease. There must first be a clear understanding not only of the character of the special illness, but also of the entire structure of the human body and then, the use of remedies adapted to the nature of the disorder. A like course must be pursued in the treatment of the ailments of the body politic. It is not enough to know that in certain parts ills exist, and undertake their cure without regard to their relation to the other organs with which they are united, but there must likewise be a knowledge of the entire structure of the state, and, so far as possible, an accurate understanding of the effect of remedies on the entire system with which they have to deal, lest in the effort to cure a single organ, they do irreparable injury to many others. Empiricism is justifiable in the early stages of an art or science, but as information is accumulated and experience gained, *laws* are gradually developed, and at length substantial reasons are required for every measure before it commends

itself to the judgment of mankind. Whilst one cannot say as yet that the science of government is exact, and that a settled policy exists throughout the world, yet it can be said, that the days of political empiricism are fast disappearing, and the time has come when discussion is conducted on scientific principles, and expediency is no longer freely granted the right of eminent domain, but it is required first, to show that the laws of equity and honorable dealing are not adapted to to the exigencies of the state.

The system of taxation in Pennsylvania (as I have shown) is sadly out of joint. In all the years of its existence, and with all of the repairing that it has undergone, no one seems to have examined the foundations to see whether they are safe and can be relied upon to bear the weight of the future structures that the state may have to build. Already there are seen the signs of giving way. Some portions now are crushing, and complaint is coming up on every side asking for immediate relief. Shall we disregard these warnings of over-burdened men, or shall they have relief, and in granting this relief to some, shall we be compelled to commit the injustice of over-weighting others? Can there be no equitable plan devised that will evenly distribute the burdens of the state according to the strength of those on whose shoulders the weight must inevitably rest?

Let us for the present disregard expediency, and ask ourselves the question, *What is right? What does equity demand?*

What does equity demand of any system of taxation that shall meet the requirements of modern society, and satisfy the popular sense of justice? Equity demands that there shall be an equalization of the burdens of government among all who share the benefits of government, and that the amount that each shall pay, shall be in proportion to his ability, which is measured by his income. Equity demands that if this principle is departed from in the case of one individual, or set of individuals, that it shall likewise, and to the same extent, be departed from in the case of all other individuals. Equity demands that no class of property shall pay more on its net income than other classes of property pay on their net income. Equity demands that if one class of property is taxed twice, all other classes of property shall also be taxed twice, and at the same ratio as their productive capacity bears to the productive capacity of the first class. Equity demands that no discrimination be made in favor of or against any class of property, on account of the use to which the tax which it pays is to be applied, but whether it be used for local or state purposes the tax should be the same. Equity demands that all species of productive property shall be taxed, and that no distinction shall be made between that belonging to natural, and that belonging to artificial persons. Equity demands that the same principles of valuation that are applied to one species of property shall be applied to all, and that none but intelligent and conscientious citizens shall be entrusted with this valuation.

Do these principles of equity require that which is impossible? Is it not possible for the state to deal equitably with her citizens? Can no tax law be framed that will satisfy these conditions? Whilst it may be impossible to construct at once, under the varied conditions of the industries and occupations of the people, a system of taxation that will fulfill the requirements of equity in all particulars, it is certainly perfectly feasible to adopt equitable principles, and conduct our reforms along these lines, with a view to eventually approximate the ideal standard of justice: and in our reforms when in doubt, to err in the direction



of restricting and limiting the power of corporations and to favor the enterprise of the individual operator, rather than to oppress the individual, and unduly favor the powerful monopolies of the state.

I have called attention to the unreliable character of the assessments made throughout the state, and showed that many inequalities now exist, and that assessments under the present system must continue to do gross injustice, both to the citizens and to the state. It is unnecessary to present again the method now in use for valuing property in the commonwealth, and I will only state that an error here is a vital error, and inequality or injustice here, is inequality and injustice that, under existing methods, it is practically impossible to correct.

Some of the difficulties with which we have to deal, originate in the character of the assessments made in the local districts, and of course, in the character of those who make the assessments. Instead of the assessors being elected by the people of the district, thus opening the way for the nomination and election of ignorant, prejudiced and unscrupulous persons, they should be appointed by the courts of the county, and none should be eligible except free holders, residents of the district and owning real estate to the extent of at least one thousand dollars, these men to be selected for their business intelligence and probity of character. The several chairmen of these boards of assessors of the various tax districts should constitute a county board for the revision and equalization of the assessments of the county, and for this purpose they shall meet after all of the assessments have been completed and go over the respective lists, and pass upon them by vote, and shall then turn them over to the commissioners of the county, who shall record the lists and notify all taxables in the county of the amount of their assessment, and give notice that appeals will be heard on certain dates at specified places, and the board of appeal shall consist of the three county commissioners and the three local assessors in the district in which this appeal is held, who shall hear and pass upon all special cases that may arise. This would ensure that special care would be taken in the valuation of property throughout the state, which is the first essential in any equitable system of taxation.

What kind of property shall these assessors list for tax? About this there is great difference of opinion among political economists and writers on this subject, and corresponding difference in the practice of the various governments of the country. No equitable principle or general rule seems to govern the various states in the determination of the question, but it seems to be controlled by the passing whim of the hour, or prejudice or pecuniary interest.

Before stating the rule that I think should guide in determining the question of what to tax and what not to tax, I will say that it is generally agreed that equity would seem to permit the exemption of "all churches, meeting houses, and other places of stated religious worship, all universities, colleges, academies, school houses belonging to any county, borough or school district, or incorporated, erected, endowed or established by virtue of any law of this commonwealth, with the grounds thereunto annexed not exceeding ——— acres: also all burial lots, the lands and premises of all cemetery companies where such property is held in trust for the sole purpose of improving said lands and premises, and whose revenues of whatsoever kind, are devoted to that object, and in no way inure to the benefit or profit of the corporations or any of them; also all lunatic asylums, alms houses, poor houses,

houses of refuge, penitentiaries and asylums, schools and hospitals supported by the appropriations annually made thereunto by the commonwealth, together with all lands attached to the same; also all charitable institutions provided by charitable gifts or otherwise, the chief revenues for the support of which are derived from voluntary contributions, together with the lands attached to the same."

It is hardly necessary to take time to discuss the reasons for relieving these institutions from taxation, although some "civists" favor the imposition of tax on at least a few of them. It is sufficient to state that a tax on these would be in discouragement of religion, morality and education in the state, and in restraint of the exercise of the practical charity that is so beneficial to, and cares for so many of the unfortunate and helpless in our midst.

An equitable system of taxation will also exempt from tax the following: The implements of one's trade or occupation, carriages for personal use, furniture, watches, wearing apparel, books, jewelry, gold and silver plate and works of art, on the principle *that property that is naturally unproductive should not be taxed*. No citizen can with any show of justice, seriously object to paying his fair share of tax on his income-producing property, but when taxes are assessed on property that not only is incapable of production, but is a source of continual expense to its possessors, the tax becomes oppressive and is equivalent to confiscation. The items that I have mentioned are not income-producing capital, and yet, they are important and even necessary parts of the equipment of every comfortable home. To tax these, therefore, is to lay hold of them piece by piece, until the entire list is confiscated by the state.

Another and entirely equitable reason why these articles should not be taxed, is found in that principle of public policy that encourages the population of a country to provide themselves with comfortable homes. There can be no civilization worthy of the name, so long as the inhabitants of a country live in squalor like the nomadic tribes, and are restricted to the use of only the crudest implements and the fewest forms of comfort. The unfurnished houses of the peasantry of Europe are in striking contrast with the comfortable dwellings of the working men of this western world, and yet the contrast here is not so great as that seen in the stolid countenance of the occupant of the continental home and the bright, intelligent and manly faces that issue every morning from the millions of comfortable cottages in America. The state does well to protect the bric-a-brac and window garden of the housewife from the hand of the gatherer of tax, and give fond parents a chance to adorn their homes and save their growing boys and girls from the allurements of the saloons of vice.

The equitable principle that should control our laws in assessing and collecting tax is the one that I have partly stated: That all property naturally unproductive should not pay tax, and all income producing property, profession, trade, occupation, and industry, including franchises of corporations, licenses, charters and commissions should be assessed and required to pay their share of tax. The amount of tax that each should pay, should be according to his net income or profit, and profits should consist of gross earnings less the necessary expense of operating the business.



This undoubtedly is in theory, and, as I hope to show, in practice, the only strictly equitable method of taxation that can be devised. A tax on profits or net income is in harmony with every rule of equity, and is the only general and safe law of taxation, as it bears impartially upon the just and unjust, the rich and the poor, the individual and the corporation, the land owner and the money lender, the professional man and the day laborer. It requires of no man more than his fair share, and it compels every man to do his full share. It furnishes a single equitable basis, which the most ignorant can comprehend, and provides a standard of valuation to which no fair minded man can object. It applies to city and county and township and ward and borough; to all varieties of trades, occupations and conditions with which we have to deal. The inequalities, inconsistencies and injustice of our present system exist in exactly the proportion in which there has been departure from this equitable rule.

But some one asks, what do you propose to do with the high authorities, who declare that the system will not work and cannot be enforced? Before replying, I will also ask a question. What do these high authorities propose to do with the still higher authorities, Equity and Justice?

High authority has sometimes been mistaken. High authority once stated that the sun moved around the world. High authority once said that the earth is flat. High authority once declared that no western world lay across the Atlantic. High authority once assumed that the people had no rights. But high authority lived to sign the Magna Charta, and to behold the civilization of a western world, established on foundations that all had agreed could not sustain the state. We live in times when even the conclusions of high authorities are subject to review. This is no visionary and untried scheme. The entire expenses of the English government for half a century have been met from a method similar to this. It has for many years prevailed in the Cantons of Switzerland, and, in a modified form, in Italy, France and the German states, and also to some extent in the state of Pennsylvania, in which we live. The answer, then, that these countries give to high authorities is, "you are again mistaken, *it has been done.*"

But let us see how this principle that I have stated may be applied in a system of taxation for the state. The first object is, of course, to discover what the net income of a business is, and we are told that this cannot be ascertained, as men will not make such report, and any inquisition that undertakes to find out for itself would be obnoxious in a high degree, and no such system could be sustained in a country where the people have a voice in the manufacture of their laws. In other words, many men will lie, and withhold the true amount and value of their property from the assessor's list, and so defeat the equitable working of the law. May not the same be said, and with equal force, in condemnation of the practice of requiring testimony in our courts of justice? Because some men testify to that which they know to be utterly false, do we, therefore, abandon oaths and affirmations and call the system a total failure and resort to guessing to get at the truth?

Does not our present system require that the citizen shall make out and testify to the accuracy of his list of property, and are not the corporations and associations of the state now required under oath to exhibit their entire business for the year? The discovery of income by the plan proposed, requires no more oaths than our present system, nor

any inquisition that ought to give offense to any patriotic citizen of the state. And if the system secures equity in the valuation of the entire property of the commonwealth, and in the levy and collection of only a moderate tax on the valuation so secured, will not the large majority of the tax payers in Pennsylvania welcome any investigation that will bring about these most desirable results? Inasmuch as the plan proposed exempts household goods from tax, no one can claim that it invades the sanctity of home. It deals wholly with the business interests of the country, and only inquires what this business is, a fact that the state has a perfect right to know.

The law of Pennsylvania, in fixing the rate of interest, recognizes by implication, six per cent. as a just return for the use of money loaned within the state. If the lender of moneyed capital is thus entitled to six per cent., it would seem but proper that those who invest their money in property or business ought to receive a like return, otherwise the tendency would be to withdraw capital from active use and put it in the hands of lenders, and thus check the growth and development of the various industries of the state. It is fair, therefore, to assume that six per cent. is also about an equitable return for money invested in property or business throughout the state, and since a property or business is valued in the market according to the interest or rent that it produces, it follows that in order to ascertain the true value of any property or business, it is only necessary to know the income, and then assume that this income is six per cent. of the true value of the estate. Apply this principle in valuing property for tax, and if an estate or business bring in a net income of \$60.00 per annum it should be rated for purposes of taxation at \$1000.00; or if it bring in a net income of \$600.00 it should be valued at \$10,000.00; or if a profession, trade or occupation produce an annual net income of \$600.00, it should be valued for the purpose of taxation at \$10,000.00, equally with the possessor of moneyed or landed capital.

Right here, Mr. Chairman, I wish to call attention to a comparatively new source of revenue that now represents an enormous amount of capital in this state. I refer to the salaries and income of the professions, trades and occupations in the state. Not many years ago the livelihood of our citizens was gained by each operating some business of his own, and the small manufacturers and tradesmen who were owners of their business abounded in the land. In recent years these have been crowded out by the great corporations and combinations of the state, until almost all now, instead of being owners, are living on salaries paid by these enormous companies that have supplanted the individual operator of years ago. In like manner professions have multiplied, and the salaries and fees that some of them receive are out of all proportion to those charged in former times. The vast army in the ranks of the *employed* is comparatively untaxed, and yet they are the possessors of capital as real, as valuable and as remunerative as that of the real estate owners of the state, and this may be called *industrial* or *professional* capital. To assert that the attorney's knowledge of law is not property in a most substantial sense, is to admit that one is not acquainted with the members of the profession. To assert that the skill and knowledge of the physician and surgeon are not property is to confess that one never has been sick. To say that the skill of the plumber or gas fitter is not property, is to acknowledge that one has never enjoyed the use of modern conveniences in his house. Knowledge is power and knowledge is *property*, and it ought to be



taxed like other productive property, and its value should be rated according to the income that it produces. If this is done, a large revenue will flow into the treasury of the state. In estimating net incomes of professions, trade and occupations, for this purpose of taxation, three hundred dollars of the income each year should be allowed to every citizen for the maintenance of himself and family, and this should be exempt from tax.

With these preliminary statements of the principles by which the equitable system of taxation is to be controlled, let us consider the practical working of the plan in its application to the various industries and occupations of the state.

Take a farm on which the owner lives. Require the owner to make out a list of his horses, cattle, sheep, hogs and poultry, also the value of all his sales and of the produce used by himself or family during the previous year; also, another list of the live stock and produce on hand at a corresponding date the year before, together with the expenses of conducting the farm during the previous year, including all labor employed in planting, producing, caring for and marketing his crops, excluding the cost of new improvements and additions to live stock and implements, and allowing the farmer \$300.00 as wages. The balance that is struck is to be considered his net income for the year. Suppose this balance is \$400.00, this is six per cent. of \$6,667.00; therefore, for purposes of taxation this farm would be valued at this amount. If there were a mortgage of, say \$3,000.00 on the farm, the income would be ascertained as before, and if it were \$400.00, the value of the farm would be \$6,667.00 as in the previous case. The mortgage would then be deducted from this value as ascertained, leaving the amount that the farmer would pay tax upon to be \$3,667.00, and \$3,000.00 would be the portion on which the taxes would be paid by the mortgagee.

If the property is in the hands of a renter, say for a share of the crop, the renter makes out a statement of his stock on hand with his share of the receipts and expenditures for the year, and also the amount of the landlord's share. If the total amount be \$400.00, the total taxable value of the land would be \$6,667.00 as before. If the net income of the tenant was \$100.00, and the landlords share \$300.00, the tax would be  $\frac{1}{4}$  of the value of the land on the tenant, and  $\frac{3}{4}$ , or the balance, on the landlord. And if a mortgage be on the property, the mortgagee will be assessed on the amount of the mortgage,  $\frac{1}{4}$  on the tenant and the balance on the owner of the estate. The entire tax is to be collected from the occupant of the property, and the tax receipt to be a credit when the tenant comes to give the landlord his share of the produce. If the tenant fails to pay, the tax should be a lien on the estate to be collected according to law. If there be no net income in any year, then the property shall be taxed as is provided for in the case of unseated lands. All horses, cattle, sheep, hogs and poultry, no matter to whom belonging, are exempt from direct taxation, but shall be listed and valued for the purpose of getting at the owner's income, and when a sale is made the proper credit will show when the annual report is made of sales, and in the income. Dwellings not used for farm purposes shall be taxed according to their rental value. The value of the property, for the purpose of taxation as in the case of farm lands, shall be a sum, of which the rent is six per cent.; all other buildings to be estimated on the same basis. When the amount of the net income cannot be ascertained by the assessors, a valuation shall be made according to the best information that the assessors can obtain, and the property

assessed at that rate; and where persons refuse to make out their report, an estimate shall be made as before and ten per cent. added for the first year, fifty per cent. the second year, and at the rate of fifty per cent. for every year until the report is made.

In the case of vacant lots in towns or cities, or lots on which the improvements are so dilapidated that they are retained only for the purpose of avoiding taxation, their selling value ten years previous shall be ascertained from the best attainable data, and also their present value; and this increase, if any, shall be divided by ten to get the average increase per annum, and this annual increase in value shall be considered the net yearly income of the property. If, for example, a property in 1881 was worth \$500.00, and in 1891 is worth \$600.00, the annual increase would be \$10.00 per year, which would represent six per cent. of the taxable value of the property, making it worth, for the purpose of taxation in 1891, \$166.67.

This same method would apply in the valuation of the unseated land and wood lots of the commonwealth. The Secretary of Internal Affairs, in a partial report on the amount of land in the state in 1889, gives the cleared land at 15,004,962 acres, and the timber land at 8,594,420 acres, or over one third of the surface of the commonwealth is in wood lots, vacant lands or forest. The advantage of timber in the commonwealth is beginning to be appreciated in some degree, and attention is called to the recent reports upon the influence of these forests, not only on the climate of the country, but on the internal improvements that annually consume larger and larger quantities of lumber for various purposes in the state. Heretofore these lands have been taxed beyond endurance, and no man could afford to hold wood lands in reserve for future use, and owners were forced to cut the timber in order to rid themselves of a tax that was out of all proportion to the small increase in value of the land. For the destruction of our forests, therefore, the state is directly responsible, and a continuance of the policy heretofore in use, will soon rid our hills of timber, and leave us exposed to the destruction that some districts even now begin to feel. In western states forestry is an important branch of state concern, and a bonus is given to those who plant and care for a specified number of forest trees every year. Even in our own state, "arbor day" has come to stay, and all are interested in preserving the valuable timber that is starting on our hills and mountain sides, and that the soil and climate of the state are well adapted to produce. Let, therefore, these unseated lands be valued at their selling price ten years ago, and also at their present price, and let that increase divided by ten represent the annual net income and count that this is six per cent. of their proper value for purpose of tax. This would not only be equitable in its effect, but also tend to avert calamities that history shows has depopulated states. Let this method apply as well to wood lots on the farms and preserve the clumps of trees that beautify the landscape and add to the wealth of our beloved state.

In cases where actual settlers purchase and occupy unseated lands, and begin to clear for themselves a home, if they erect a dwelling and then clear not less than one acre every year, let the property be taxed only as unseated lands for a period of at least ten years from the time they first occupied and began to improve the land. This would induce settlers to occupy the vast area of waste lands in Pennsylvania, and gradually distribute population more equally throughout the state.

In case of mineral lands and rights, if these mines are unworked they



shall be taxed as unseated lands, and if worked they shall be assessed according to their net income, which will be six per cent. of their value for purposes of tax.

Ground rents should be rated at their average annual increase and then count that this is six per cent. of their value for tax.

In the case of mortgages, treat them as real estate for purposes of taxation, and tax them on the basis of an income of six per cent., the occupant of the premises to pay the tax and withhold the amount out of the interest due the mortgagee. Dowers should be taxed the same as mortgages.

A poll tax shall be assessed on all male citizens and residents over twenty-one years of age. This is a tax on men as individuals enjoying the protection of the state, to persons although destitute of property, and should therefore be a general and equal tax on all, and failure to pay it shall disfranchise the citizen until paid; and no person should be permitted to pay this tax for another.

Professions, trades and salaries of every kind, should be assessed on the basis of their net income, after deducting \$300.00, so that where an income is \$600.00 per year, the deducting of \$300.00 leaves the net income likewise \$300.00, which is six per cent. of \$5,000.00, and therefore the individual will be taxed on \$5,000.00.

Merchants, dealers, butchers, bakers, etc., should pay tax on the basis of their income. All broking and banking institutions should be incorporated and be subject to inspection by a state board of inspectors, and to be taxed on net income.

Theatres, shows and places of amusement should be licensed by the state and subject to a tax in the locality where the exhibition is held.

Billiard tables should be licensed and also pay an income tax, and be rated on the basis of their income.

Auctioneers, peddlers and hucksters should be licensed and also pay income tax.

Taverns where spirituous and malt liquors are not sold, should be released from tax.

Distillers, brewers and bottlers should pay license on their business, and income tax on sales.

Wholesale and retail liquor business should be advertised and sold at auction to the highest bidder for a period not exceeding three years, the bid to be a definite sum payable quarterly in advance, and the purchaser to be removable for cause on the order of the court.

Manufacturing establishments, building and loan associations, and insurance companies should be taxed on net income, their business to be capitalized at a sum of which the net income is six per cent.

Notes and bills bearing interest should be taxed in the hands of the holders, and should require the endorsement of the assessors, without which the interest shall not be collectable at law.

The recording of wills, deeds, mortgages and judgments, etc., should be at a fixed rate per 1000 words, and that rate should be at the actual average cost of the clerical work required.

State bonds should be taxed on a sum of which the interest is six per cent.

Collateral inheritances should be exempt, for reasons already stated.

Steam railway companies, street railway companies, Pullman car companies, express companies, telegraph and telephone companies, canal, slack water navigation companies, turnpikes, oil and pipe line companies, natural gas companies, gas manufacturing companies, mining,

water, electric light, cable, power, transmission companies, etc., should be taxed on their net income\* on the basis that I have stated and in cases where that might be illegal, the dividends should be taxed for the stock, and the franchise for the bonded debt. For instance, when a company has a capital stock of \$100,000.00, a bonded debt of \$100,000.00, the latter bearing six per cent. interest, if after paying the interest on the bonded debt, the dividends are three per cent., then the total left to distribute to the stock holders would be \$3,000.00, and since this is six per cent. of \$50,000.00, the capital stock would be valued at this amount for the purpose of taxation; while the franchise would be valued at a sum of which \$6,000.00 is six per cent.; namely, on \$100,000.00, making the whole amount of property of the company liable to tax to be \$150,000.00. This would reach through traffic and foreign and domestic bond holders, and while it overcomes the legal obstacles in the way of the enforcement of the present system of taxation, would at the same time, be equitable and treat these companies on an equal basis with other business.

Such then, Mr. Chairman, is a very imperfect presentation of the principles that I would urge in constructing a tax system for the state. To carry such a system into effect, there should be a perpetual commission of competent men, after the example of the general government in the appointment of an interstate commerce commission, who should make up annually a budget of the estimated expenses of the state and local governments for the ensuing year, with a statement of the amount of property of all kinds assessed the previous year, and discover the percentage that it will be necessary to lay in order to meet these expenses, and then notify all corporations and others paying tax to the state that they will be assessed at this average rate, on the principles herein stated, and any surplus in the treasury of the state will be returned to the various county treasurers pro rata according to the value of the property in the several counties, to go to the credit of the various townships, boroughs etc., according to the taxable property of these localities to be used for local purposes.

This commission shall also have charge of the general equalization of taxes throughout the state, and the enforcement of the tax laws, and shall present annually to the legislature a full report on the operations of the law together with such recommendations as they may see fit to make, with a view to perfecting the system of taxation in the state and providing an equitable, practical and logical method of securing revenue for the state.

The result of the adoption of an equitable system such as the plan here presented aims to secure, will be to relieve real estate of at least one half of its present burden of tax, and in accomplishing this it will do no injustice to any interest in the state. That real estate, under our present law is unduly taxed is no longer questioned, and that this state

\* *Net Receipts of Railways defined.*—"Gross receipts consist of earnings from transportation of freight and passengers receipts from bonds and stocks owned, rents of property and all miscellaneous receipt, from railway business, etc., or otherwise. From these aggregate gross receipts we should deduct what are classed by the Inter-State Commerce Commissioners, as operating expenses, that is expenses for conducting, transportations, for maintenance of roadway, structures and equipments and general expenses of management. But no deductions for fixed charges, that is, for taxes or for interest on the debt, nor should any deductions be allowed for the amount used in new constructions, betterments, investments, new equipments or any of the expenditures that find their way into profit and loss account.—Prof. E. R. A. Seligman, *Political Science Quarterly*, for September, 1890, page 465.



of affairs will continue is also certain unless combined effort is exerted by property holders, to secure a law that shall bear equally and impartially upon all.

The effort to secure such a law will not come from those who now are lightly taxed, but it must come from those who are oppressed. There must be some organized power that shall urge the legislature to act. The State Board of Agriculture, organized as it is for just such service, has acted wisely in assuming this duty, and it is to be hoped that, through its efforts and those of other interested organizations throughout the state, the people may be informed of the facts as they are, and by reason of this information, that they may bring such pressure upon their representatives in the General Assembly as will compel the adoption of some equitable method of relief.

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#### THE FARMER AND HIS TAXES.

By JOHNSON MILLER, Lititz, Pa.

(Read at Hamburg Institute.)

Mr. President, Ladies and Gentlemen. The subject of taxes is one which has engaged the attention of farmers perhaps more than almost any other; for the reason that the amount which he was required to pay has become somewhat of a burden, taking not a little share of the profits of the farm; and it is only by such meetings as the one at which I am about to read an essay on the farmer and his taxes that these questions are fully brought out for consideration. That the farmer pays more than his share of tax, no one has ever attempted to deny since this tax question has been discussed in agricultural societies and by private conversation, but on the other hand I shall in my own way, I think, prove that he is paying more than his share and while I don't pretend to know more than some of my hearers on this tax question I have come from Lancaster county to present a few facts as they exist in my own county and to bring the matter fully before this Institute to be there discussed by more learned and able financiers than myself; and if by this discussion we may be able to present facts, and figures to show that we must and should have some relief in the change which is about to be made in the revenue laws of our state. If I say again we can do this and get our tax laws changed to make the farmer pay less tax, I should feel proud that I have accomplished what may prove a direct benefit to every farmer, not only here present but to many farmers in the commonwealth of Pennsylvania.

I think I can illustrate to you by statistics that the farmer is the saddle horse and that he pulls the load in the team of taxation: that he



pays millions of dollars for county purposes, and in addition pays the bulk of the local taxes.

In order to consider this matter from an individual stand point and to show the unjust and unfair manner in which the farmer is taxed let us draw your attention to two farmers whom we will designate as Mr. A and Mr. B. A sells his farm to B for \$20,000. B having only \$10,000 of his own money, A agrees to take a judgment from B for the other \$10,000 at five per cent interest while the \$10,000 A receives in cash is invested in National banks, city bonds, railroad and other securities and he retires. The assessor now calls and takes the assessment of Mr. A for the \$10,000 judgment and that is all he is assessed, and all he is required to pay tax on and then only state tax. He now calls on farmer Mr. B whose farm he will most likely assess for about \$18,000 (for farms in our county are assessed for about what they cost or what they bring when put into the market), and I suppose that the same state of affairs exist in your county. This farm is also assessed for \$1,000 for stock and personal property making \$19,000. Now a word as to the amount of tax that each one of these men pay. Mr. A pays on his judgment a state tax of \$30.00 and he is done. B pays on this amount of assessed valuation in Lancaster county, \$47.50 county tax, \$32.00 school tax, \$19.00 road tax and \$10.00 fire tax, making a total of \$108.50 tax on his \$20,000 farm or rather on his \$10,000 actual valuation, a difference of \$78.50 for which amount Mr. A is the gainer over farmer B.

Mr. A may have a family of children, so has farmer B, all going to the same school, yet farmer B with his \$10,000 debt on his farm and his \$78.50 more tax to pay, pays the school tax for the benefit of his own children while Mr. A's children are educated at farmer B's expense, who could much better afford to pay his share of the tax but does not pay direct a single dollar on his \$20,000 capital.

Farmers did it ever strike you that such is the situation all over the broad commonwealth which has one of the grandest of common school systems in the world, the fundamental principle of which is, that rich and poor, white and black, should all be educated at the expense of the tax payers of the state, as they should be; but in the case illustrated the one who could best afford to pay, escapes this tax almost entirely.

Again Mr. A has plenty of time to use the public roads, while farmer B is busy at work and yet the farmer must pay the road tax on his whole valuation, while Mr. A does not contribute a dime for the same on his \$20,000 capital. I have now shown that farmer B, who is worth only \$10,000 must pay the sum of \$108.50 in taxes annually, while his neighbor Mr. A pays but \$30.00 on his \$20,000 capital, or in proportion to amount of actual wealth as \$30.00 is to \$157, as he pays \$78.50 more on \$10,000, and double that would make the amount stated, or in other words the farmer pays five times as much on the same amount of capital.

This should be sufficient to prove that the farmer is unjustly, unfairly and oppressively taxed. Some one may say that this is an exceptional case and drawn in the interest of the farmer, and so it is, but it is simply one of the hundreds and thousands of similar cases as they exist to-day all over the commonwealth of Pennsylvania; all under the present unfair manner of taxation regulated by the revenue laws which were made and framed in the interest of corporations and capital, and against your best interest as a farmer. This is not an exceptional case to show the unfairness of the present system of taxation; but let us

consider for a moment who could better afford to pay the most, if there is to be a difference between farmer and capitalist. Mr. A has his interest on the \$10,000 at five per cent. \$500, his bank dividends and coupons probably will be \$800, a total income of \$1,300. He and his family may live on \$300, leaving a \$1,000 profit to be added to his already well invested, clear of tax, capital. Now, what is Farmer B's income? Himself, wife and children may work hard and his crops at present prices, with the best of care may bring him from \$1,000 to \$1,200, out of which he must pay his \$500 interest to Mr. A, taxes \$100, repairs \$100, employes \$300, total \$1,000, leaving him a single little profit of \$200, or two per cent. on his \$10,000 investment. Would a change in the revenue laws better his condition? Not a very great deal in dollars and cents, but should it not be so arranged that both would pay an equal share? The constitution of your state explicitly declares that taxation shall be uniform and equal and the good old fathers that framed it most assuredly declared it so to be, but young blood got in your law making chamber to change the revenue laws of your state and to your fellow farmers sorrow that I say without fear of being contradicted, that they are no tconstitutional. The case that I have presented does not come within the constitutional ideas of your fore fathers who framed that instrument, but is as unfair as it is unjust, and this is not all, there are hundreds of cases like the one given where the same money is taxed both by the farmer and the lender, where the borrower and lender both pay a tax on the same capital; this is not right, and should be changed so that a man would only pay on what he is really worth and not on the money he has borrowed; this would be fair to both the capitalist and the farmer. I have now examined and discussed the farmers taxes by an individual illustration and by which it appears that the farmers pay five times as much on the same amount of capital as the capitalist, in proportion to the assessed valuation of both. This same principle of unequal taxation is the same in Berks county as it is in Lancaster county, and is oppressive to you as farmers. For illustration how does this effect the farmers of Lancaster county? You will excuse me for taking my own county, for I can better make the calculations. I will then give some figures concerning your own county before I get through. The assessed valuation of the county of Lancaster is about \$86,310,838, on which a county tax of \$220,000 is levied. The census of 1880 show 9,070 farms containing 556,314 acres, valued and assessed at \$69,000,000. To this must be added the live stock to the amount of \$4,000,000, making the total assessed \$73,000,000. On this property the farmers pay \$195,000 county tax or nine-tenths of the whole. Then the school tax of the entire county is \$232,200, of this Lancaster city pays \$40,000 and the towns and boroughs \$32,000, making \$72,000, leaving \$160,000 to be paid by the farmers. As we have no official records of the road tax we know it to be about the same as the school tax in some districts, and this would make \$160,000; deduct \$20,000 for the towns and boroughs and we have \$140,000 road tax, and \$50,000 fire insurance tax, we have a total of \$545,000 of taxes to be paid annually by the farmers of Lancaster county. These figures are taken from official records and cannot well be disputed. We have now shown that the farmers of this county pay on a capital of \$73,000,000, the sum of \$545,000. Now we have \$24,000,000 of money at interest secured by judgments and mortgages on the records on which a state tax of \$72,000 is paid and that is all. If the farmer would pay only as much as the cap-



italist on their \$73,000.000, their taxes would be only \$220,000 or \$325,000 less than they now pay, and if this money at interest was taxed the same as the farmers, they would pay into the state treasury \$173,000 instead of \$72,000, a gain of over \$100,000, to the funds of the state. I now ask in all fairness and sincerity is it fair to you farmers that these men should pay \$100,000 less on the amount of capital or is it justice to the entire body of tax-payers that the farmer of Lancaster county should pay \$324,000 more than his share. Is this an equal or uniform system of taxation, so expressed, declared and demanded by the constitution of your noble commonwealth? I ask again in all fairness, is it? I will let you answer this question in the general discussion of this important subject. I say important question for I very much doubt whether there is a more important one to you as farmers. To make it just and fair to you there must and should be a general reform in the revenue laws of the state, and it is your duty as farmers to keep an eye single to your best interests and on the men who are spending the time on the capital hill, some distance west of this place.

A few words as to how this system of taxation affects the farmers of Chester county, may not be out of place. The assessed valuation of real estate \$47,436,950, and your money at interest about \$12,000,000. Now Chester county has according to the census of 1880. 6,116 farms, containing 467,982 acres valued at \$39,217,513, so that about five-eighths of this valuation belongs to you as farmers from recent statistics from the official figures; from the records of your county I find that Chester county pays annually \$131,693.06 county tax, \$227,861.11, road tax and \$193,445.68 school tax, making a total \$452,999.85, of which the farmers pay four-fifths or \$362,400, to this may be added probably \$38,000 fire insurance tax on your buildings making a grand total of \$400,000. Now let us see how this corresponds with the taxes on your money at interest on which a state tax of \$36,000 is paid on the \$12,000,000 and that is all; now you farmers are required to pay \$400,000 on your \$39,000,000, a little over three times as much in dollars and cents as your money at interest. Suppose you were taxed only as much as your neighbors who have their money at interest, you would only pay \$117,000 or \$283,000 less, and that would be saved to you; and suppose these money capitalists would be required to pay as much as you farmers they would pay into the state treasury \$123,000 instead of \$36,000, a gain to the revenue of your state of \$87,000; does this seem equal taxation? Is it fair that you farmers should pay \$87,000 more on the same amount of capital on your farms? And yet that is just what you are doing.

For example, I take a farmer in Honeybrook township who has a 200 acre farm valued and assessed at only \$60.00: he has \$12,000 invested, on which he pays about \$120 tax. We take a farm of the same size near your own town, valued somewhat higher, say \$20,000 with stock, etc., and I find that the tax is about \$170. Now if these two farms were sold and the money put at interest, all the tax would be under our present revenue laws, only about \$96, or nearly \$200 less, so we see that you farmers are taxed to nearly three times what you really should be and why is all this unequal system of taxation is a question that should engage the attention of every farmer in the state and I say that every farmer's institute in the state should pass resolutions condemning our present system of taxation and demanding such a change of the revenue laws that will tax all moneyed interests taxable for local purposes, no matter where or in what invested. And right here a few words in regard to double taxation. For example the case cited in the beginning

of my paper where Mr. A is worth \$20,000 and farmer B only \$10,000 for which amount he should be taxed only, and Mr. A pays the taxes on his \$10,000 invested in that farm; the way things are now, that money is taxed twice, the farmer pays on \$20,000 and is worth only \$10,000 while Mr. A pays a state tax on \$10,000 already taxed on the farm; this is absolutely wrong; I believe in taxing a man only for what he is in reality worth and not for another man's property, which is also the case under the present system of taxation.

We have now shown that the farmers pay in proportion to other investments much more their share; now what do we get back for all this as farmers of this state? All this money is used somewhere and for some purpose. It is true the machinery of the government costs a great deal to keep it in running order. It must be well oiled by well paid officials, who if they were compelled to live as economical as you farmers and work for as small profits, would soon cease operations as public servants and office seekers would not be so willing to serve their country.

Large appropriations are annually made for charitable institutions, as they should be, for they are deserving of public support, but what does the farmer get in return for the millions he shovels into the public hopper? Think for a moment. I know of nothing special save a few thousand dollars to run the State Board of Agriculture, in which the farmer takes a deep interest, and is by such meetings as the one you now hold, vastly benefited. Thanks to our law makers that they have not altogether forgotten the farmer. The farmers and tax payers in general are content with all this, even if it does sometimes take nearly half of his wheat crop to pay all his taxes. The farmer will at all times exercise economy in every department in order to save himself from financial ruin and destruction, while extravagance is the ruling principle of the majority of men in official places in almost every department of the government, from the little township office to the Presidential mansion.

Salaries are increased from time to time while the number of working hours are reduced and new officials must be added to do the work. My grandfather used to say to me that our law makers used to meet in Lancaster city eighty years ago at three dollars day, and were in session for twenty days, making salary of \$60.00. Now they sit on Capital hill, Harrisburg, over one hundred days at \$15.00 a day, or a salary of \$1,500; of course the business of the state has increased, but not in proportion to this. All this helps to increase your taxes. However, we live in an age of progress and improvement, but the subject under consideration and the extravagant expenditure of public money is virtually fifty years ahead of the times; and it may not be out of place some day in the near future to call a halt. That the farmers bear entirely too much of the burden of taxes has, I think, been clearly shown, that the man who has his money invested in real estate, secured by judgment or in national bank stock or corporations has little to pay cannot be disputed. Now what is the remedy? I see none, so long as you farmers are not better represented in your council chamber by men who have your welfare and your interest at heart; so long as you are indifferent to this important matter, just so long you will have no protection. The legislature of Pennsylvania, it is said, has for years been controlled by Philadelphia, Pittsburg and other large cities, and in the interest of corporations and capitalists, and it seems there is only too much truth in the assertion.



Out of the 250 members of the senate and house of representatives, of the legislature preceeding which is now in session, only 35 were farmers, 52 lawyers, 163 business men engaged in all professions of life, from the rich iron master down to the traveling agent.

There are about 300,000 farmers in the state, and these were represented by 35 members, or about one member for every 8,500 farmers. There are 4,992 lawyers in the state, and they had 52 members to represent them, or about one member for every 100 lawyers, other professions were represented in about the same proportion as lawyers. This is the contrast, and I suppose the reason why the farmer is so well protected by legislation in his interest is that he is allowed the grand opportunity of paying over four-fifths of all the local taxes. When will this state of affairs change for better protection to you farmers? Not until you are represented in the legislation halls by men from your own ranks who have the nerve, the courage and the backbone to stand up and fight for your interests, by creating a reform in the revenue laws and economy in public expense. This must begin at home by a reduction of the expenses in all the departments of the government, and not until the men in official position will feel that the monies at their disposal are the taxes paid from the hard earned money from the farmer, the mechanic, the merchant and the poor laboring man. Not until then will there be equal taxation and protection to all alike. Should there be no change within the next fifty years for a more economical administration and equal taxation, I am inclined to think that your and my children will be an oppressed people, the result of excessive, unequal and unjust taxation.

In conclusion, brother farmers, I will say that this matter of taxation is the one which we should all consider and give it our attention, and I did not come here to tell or say anything that you may not have already known, and what I have said in my own way is subject to further consideration at your hands, and I hope and trust that you will carefully consider the situation, and if what I have said, is true, and I suppose pretty clearly proven by facts and figures, I think it the duty of every farmer to come before the legislature, now in session, by petition and committees and demand that our right must be recognized and that we will no longer pay more than our share of tax; let the state tax be repealed from money at interest and every dollar taxed for local, county, school or road purposes, and that alone would reduce the tax of the farmer about one-half, but, says one, with what will you run the state treasury? To which I say there is no earthly use of having several millions in the state treasury in a season of profound peace and no bonds at maturity to pay off. I would go further and take the state tax off our turnpike companies and national banks; all this would not amount to \$1,000,000, and would be an immense help to pay the local taxes which are now paid by the farmer. If the state cannot get along with this reduction why not have an occupation tax on our young people who have no families to support. I refer now to all the clerks, bank commission men, store clerks and salesmen, of which there are over 100,000 in this state and who get good salaries, from \$500 to \$1,000 a year, and who don't pay any tax now. Why should they not pay \$10.00 to make up the million of state tax. These men have an income of \$500 to \$1,000, why should they not be required to pay tax, when you and I as farmers, on an income of \$1,000 are required to pay from \$50.00 to \$100, while these men go scott free. There are a great many things to be said

on this tax question, but I'll stop right here, hoping that the discussion may throw more light on the subject than I have given you.

Thanking you for your attention, I will leave the subject with this determination as farmers. Let us have equal and fair taxation.

## TAXATION.

By Prof. D. W. LAWSON, *Dayton, Pa.*

(Read at Kittanning Institute.)

The primary and I will say the most important characteristic of government should be the protection of the governed in all their private, social and public rights—this protection should extend to all—to the peasant as fully as to the most wealthy, to the daily laborer as well as to the capitalist. The real strength of governments lie in impartial justice to all. Governments thus fulfilling the end and purpose for which *all* governments should be established and maintained become a blessing to mankind, failing to accomplish this end and purpose they become oppressive, tyrannical, destructive of social and domestic happiness and a curse instead of a blessing. If, as Gibbons says, wickedness in high places and oppression of the poor were the latent forces that destroyed the great Roman Empire, we will add that these same forces are and have been destroyers of nations in all ages. The most reckless thing that a government can do and the most certain to bring destruction is the toleration of wickedness in high places and oppression of the poor. "Governments must necessarily create burdens as well as bestow benefit upon the governed." Large sums of money are required which must be obtained from those receiving the benefits and which should extend impartially to all, so the burden should be impartially imposed upon all property without reference to kind or rank, without fear or favor, all alike pay its just ratio of taxation. \* \* \*

We propose to more especially consider the system of our own commonwealth and see if injustice has been done. Let us first look at the several departments, and the cost of conducting them, also designate the different kinds of property owned in our state, how it is taxed, for what purposes the money is used and the effects upon the agricultural interests and industries of the state.

The state government, legislative, executive and judicial departments, interest on public debt, public charities, etc., requires the sum of about \$6,500,000. The county taxes collected amounts to the sum of \$15,500,000. The support of public schools cost over \$10,000,000. Here official statistics end.

Hon. H. N. Williams is certainly correct when he says: "It is safe to say that city, town and borough taxes exceed that of county, and it is not too high to put the figures for these purposes at \$15,500,000, and the poor at \$3,000,000. Hence we find that the aggregate costs of the government of the people of the State of Pennsylvania amounts to the enormous sum of not less than \$50,000,000. Let us look at the property, and how it is taxed, whether justly or not.

1. The report of the Secretary of Internal Affairs shows that the paid-up stock of the railroads of the state is \$699,049,767. Also that the bonded debt of the companies is \$653,447,689; total, \$1,352,497,456.



The cost of construction and equipment of these roads amounts to about \$900,000,000, with a large ownership of mineral lands, wharves, steamship lines, etc. There cannot be any exaggeration in putting the railroad property of the state at \$1,000,000,000.

The report of the secretary of the state gives the stock of companies organized under the act of 1874 at \$450,000,000 (this is certainly away below the amount at the present time). Other corporations organized under the same act and prior laws will reach the sum of more than \$150,000,000. The Insurance Department shows the capital of insurance corporations to be \$54,576,100, and a surplus of \$36,945,610. Limited partnerships, taxed the same as corporations, will reach more than \$50,000,000.

These sums make the corporate property and franchises of the state to be more than \$1,792,400,000. The report says they are undoubtedly worth \$2,000,000,000, and that this class of property is among the best investments of money yielding the highest percentage of income, the amount realized from it is \$2,219,334.75 which amounts to but little over one mill to the dollar. Bank stock, national and other chartered banks, is \$62,212,580, with a surplus of \$40,000,000; total, \$102,212,580, it is taxed six mills to the dollar for state purposes on capital stock, nothing on surplus or buildings and pays no local tax.

Private bankers and brokers have certainly more than \$50,000,000, it is taxed at the rate of three per cent. on its net income for state purposes only. Why not as reasonably tax farmers on net income? The tax amounts to about one and one-fourth mills to the dollar.

Judge Williams says, I am told by the Auditor General that over forty private bankers in the state have made no report. \* \* \* \* If all the property we have herein enumerated is not justly and equally taxed with the property we will now name, injustice has been done, and the law which permits such gross injustice should certainly be corrected at once.

The amount of money at interest returned is \$115,833,154 in the report of 1886. Judge Williams says that this sum is not one-tenth of the true amount, it exceeds \$1,000,000,000, and is falsely and fraudulently kept from the assessment rolls. \* \* \* It is the result of the duplicity and deceit of the money lenders it is taxed at the rate of four mills on the dollar for state, school and county purposes but pays no road, town, poor or borough tax.

We now come to the real estate including lands improved and unimproved, buildings, minerals, etc., owned by individuals and corporations *except those used for corporate purposes*, \* \* \* Why not as reasonably except buildings and property used for agricultural purposes?

The value of this property, per assessments and is, for county taxes, \$1,663,562,490, it pays a tax of twenty mills or two per cent. per annum. \* \* \* Why this unrighteous and unjust discrimination? Certainly not because our farms are paying better incomes than corporate property—do you, or can you realize two per cent. on your farms of a net income and throw in your own, your wife's and your children's labor?

Is it not because you have been blindly supporting party and permitting yourselves to be made the pack mules for corporations. Think of it, paying two per cent. taxes, and I doubt very much whether you can realize one per cent. on your investment after paying the taxes—

I don't believe you can—at least very few can. \* \* \* Horses, mules and cattle above four years old are taxed for all purposes (except state); the value returned is \$39,929,649. If the horses, mules and cattle are the product of the farm why not as reasonably tax any other product whether it be of the farm or the factory or the mill?

Household furniture, including silver and plated ware above the value of \$300, is taxed for state county and school purposes only. \* \* \* It is returned at \$2,292,855. Bradford county \$300, worth; Erie, with her wealthy city, \$600; Forest, the poorest, \$1,800. \* \* \* Pleasure carriages, \$4,548,998. Watches, \$40,847. Offices of emolument, judges, sheriffs, clerks of courts, physicians, lawyers and engineers are taxed for state purposes—they should be taxed for all purposes—valuation, \$77,859,261; they should be taxed the same as any other property yielding a like income.

Hacks, cabs and stage coaches are taxed for state purposes and amount to only \$1,229.10. \* \* \* In addition to this there is certainly a very large amount of property not taxed for any purpose, we will name fine paintings, pictures and statuary, diamonds, pearls and costly jewelry.

This class of property belongs to the wealthy, and should be taxed as certainly and justly as the poor man's only cow.

In the name of justice and humanity, why should not these luxuries be taxed as high as the poor man's home? Would it not be well to call a halt and heed the poor man's protest. Reverse the condition if you please, place the poor man amidst all this finery in a colossal palace, make the millionaire his servant, then tell me whether you would call this injustice and oppression or not? Solon, the wisest and the noblest of the Grecian sages, said that governments should protect the humblest peasant as fully as the wealthiest potentate.

There is a large municipal indebtedness of cities, towns and counties; this nets the state about \$140,000 (taxed for state purposes only). We fail to see why it should not be taxed for all purposes. \* \* \*

The report says there is a large amount of property invested in the mercantile and commercial affairs of the state which will reach about \$300,000,000; the operators pay only a license which pays the state the sum \$301,558.61, this does not make one mill to the dollar of the capital invested, while it is a notorious fact that very many of the licenses granted are of very doubtful moral good, and in their demoralizing working and results, cost the taxpayers large sums in protecting community.

This license or tax should aid the local government in the protection of the people.

Foreign insurance companies and other corporations yield the state \$280,560.72.

Figures will show the value of all the property of the state to reach the immense sum of more than six billion of dollars.

As we stated, the value of the real estate of the state as shown by assessments for county taxes is \$1,663,562,490 (which is very much less than one-third of the value of the property of the state), and pays a tax of twenty mills, or two per cent., per annum, while more than two-thirds of the property pays less than two and one half mills on the dollar.

That the tax laws of our state are unequal and unjust, who will have the brazen audacity to deny?



Pause a moment, consider, see if our commonwealth has not fitted up a magnificent hot-bed for the rapid growth and early maturity of these disturbing and destroying elements; yes, toilers and tillers of the soil and burden-bearers, send up your protest and hear the howl. Judge Williams says, truthfully: "It is not saying too much that the tax laws of the state alone justify an *organized protest* from the classes charged with agrarian and communistic tendencies."

As stated, we find from reports that all the property of the state amounts to not less than \$6,000,000,000, also that the aggregate cost of the government of the people of the State of Pennsylvania amounts to the sum of about \$50,000,000; if all the property be taxed in the same ratio and bear an equal share of the burdens then the tax of twenty mills on real estate would be reduced to only a fraction over eight mills on the dollar. In other words, where we now pay twenty dollars we would pay a fraction over eight dollars. Who will, who can, say that this would be unjust? No one, unless he be a selfish, unjust. As a result of unreasonable and unjust discrimination, real estate has rapidly depreciated, improvement on the farms is nearly abandoned; many of our farmers are borrowing money to pay their taxes and many are denying themselves of the necessary comforts of life to save their stock or last cow from being sold for taxes. If the farmer puts up but a new pig-pen his taxes are increased. On the other hand the corporation puts up a magnificent and costly business house—it goes free. The money lender loiters around our towns eager to take advantage of some poor man's circumstances, he pays but little tax, and the real estate owners make his roads educate his children, and, perchance, keep a near relative in the poorhouse or township.

The poet was right when he said,

"Man's inhumanity to man  
Makes countless millions mourn."

J. G. Whittier, cotemporary and a coworker with Wendell Phillips and William Lloyd Garrison, in the interest of humanity, said:

O, for God and duty stand,  
Heart to heart and hand to hand,  
Round the old graves of the land.  
Who shrinks, or falters now,  
Who so to the yoke would bow,  
Brand the craven on his brow.  
Perish party, perish clan,  
Strike together while you can  
Like the arm of one strong man.

### THE EQUALIZATION OF TAXATION.

By Hon. HARMAN YERKES, Doylestown, Pa.

(Extracts of an address at the Doylestown Institute.)

The equality of taxation is a subject which has received the attention of financiers almost since the obligation of man, as a member of society to support the government which protects him originated with the idea of government itself. It is impossible that a subject so full of thought, history and science can receive more than a cursory treatment in the limited time allotted me.

Taxation rests upon the theory that the actual lordship of the soil is the property of the government on which the immediate holder of the land is dependent and to which some part at least of the product of the soil is due.

This doctrine is presented by Adam Smith, as follows: "The subjects of every state ought to contribute towards the support of the government as nearly as possible in proportion to their respective abilities, that is in proportion to the revenue which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in the proportion to their respective interests in the estate. In the observation or neglect of this maxim consists what is called the equality or inequality of taxation. Every tax it must be observed once for all which falls finally upon one only of the three sorts of revenue—rent, wages or profits—is necessarily unequal so far as it does not affect the other two."

We have here asserted the right of the government to levy taxes, which right should be exercised upon the basis of an equality of sacrifice from each subject and the payment by the citizen for the support and service from the state to him. The earliest forms of taxation were by imposts upon products, which, in those times, when agriculture was the principal, if not the only industry, were derived from the soil over which the sovereign state held the lordship and from which of right it could exact contributions for maintenance and support.

As the immediate sources of profits and wealth have from time to time shifted, the tendency has been to impose such taxes as the contributors paid with the greatest readiness, upon the theory that the citizen, recognizing the obligation to contribute towards the support of government, would more willingly pay the taxes upon such of his products as he found most profitable, thus admitting the justice of the doctrine that taxes should be paid by the subjects of the state "in proportion to the revenue which they respectively enjoy under the protection of the state."

The justness of this principle is the source of those periods of uneasiness and dissatisfaction which sometimes result in disorders and revolts, and, under monarchical governments, culminate in actual revolution and the overthrow of kings, and in republics in the more peaceful revolution of the turning out of political leaders and parties. So long as a particular industry is prosperous it does not tire of taxation, but the moment it is depressed, as is the farming industry of to-day, it becomes restless under the burden of a levy which, in more prosperous conditions, it cheerfully submitted to. If we could attain a system accommodating itself to changing conditions of business, a property tax assessed upon equal valuation and graduated according to the means of the contributor would be the fairest, but unfortunately changes in tax laws are almost universally the result of revolutionary agitations, when the intemperance resulting from wrongs, real or imaginary, govern the counsels of the legislators so that a conservative view is not likely to dictate the making of such a desirable system, and temporary expedients are more likely to be adopted.

Experiments in taxation, founded upon the established theories, have been practiced by the ablest financiers with the common result that, in practice, no theory has withstood all conditions and changes in the working of the various phases of finance. It is a common maxim that there is nothing so sensitive as money. No subject is fraught with



more danger to the state and the people than finance, when in the hands of the novice or those who would regulate it in the exclusive interest of a particular class.

It will be more profitable to consider some of the inequalities which now confront us, the correction of which is not only a subject of legitimate inquiry but a bounden duty which the commonwealth owes the citizen.

That there is now in progress one of those revolts of the tax-bearing people, to which I have referred, and that in some degree it is warranted upon the part of those who garner the produce of the soil, the primary source of all wealth, there is no question.

The agriculturists by reason of their connection with the cultivation of the soil and their consequent fixed habitations, dependence upon and attachment to the government are most interested in its support and maintenance. This interest is deepened since while the object of taxation is primarily to raise revenue for the maintenance of the government, still that revenue may be applied for the promotion of various social ends which seriously affect their happiness and prosperity such as the advancement of education and the suppression of various vices and crimes.

The support of all these is a heavy burden upon the citizen. Such is the price we pay for the privilege of governing ourselves, but we should not complain—we should seek rather to govern wisely.

As a result of this complex system and sometimes of too much governing, the producers and taxpayers are confounded by a variety of taxes, an uncertainty of the amounts of annual imposts and glaring inequalities.

Conceding the recognized canons for just taxation to be equality, certainty, convenience and economy, we must admit as sound the proposition that if it is just to tax a man at all it is just to tax his neighbor under precisely similar circumstances, or, as it has been otherwise stated, "A tax on rent, wages or profits would be obviously unequal if those in one place or employment were taxed while those in another were left free."

Are we being governed upon these principles in the matter of state and local taxation? A few years ago I heard a State Treasurer, and a leading financial authority, who was active in formulating our present system, declare with emphasis that the period of a wise and perfect system of taxation had been discovered in that which relieved real estate from direct taxation for state purposes and created the corporation the tax-gatherers of the state. It is quite evident he overlooked the subject of local taxation when he pronounced this eulogium.

When we reflect that the revenues for state purposes into which the corporation taxes are exclusively turned bear such a small ratio to the revenues required for local purposes to maintain county, municipal and township affairs, and when we observe the large amount and value of corporate property exempt from local taxation, by the divisions in which it is situated, and for the protection, maintenance and benefit of which a large percentage of local revenues is expended, how unjust and inequitable is the system which serves as a cloak to hide so much corporate property from local imposts. A system which is a pretence, for the corporation taxes do not maintain the state, one-tenth of the local revenues derived from local possessions is annually paid directly

into the State Treasury for its maintenance. This does not include inheritance tax.

It is natural for a freeman to abhor and evade inquisitorial laws. There is something repugnant to a good citizen in a law based upon the idea that the government which is his and which he supports distrusts him, and when he is confronted with a tax system which places a premium upon perjury, and which has been invented to pry into his private affairs and business relations and to expose them under conditions which imply that his indisposition to submit to an inquisition is regarded by the government as evidence of his dishonesty, he prefers and seeks to invest his property in such a manner as to avoid both the inquisition and the humiliation which the law seeks to impose upon him.

Such is the character of the present law for the purpose of ascertaining the individual holdings of personal property liable for state tax, when such property is loaned upon the usual obligations to secure the payment of money in transactions between individuals, and when secured upon liens upon real estate, farm lands, etc. As if the purpose had been deliberately conceived to deter the owner of money from investing his capital with individuals or upon real estate securities which obviously would benefit the individual business man, the farmer and small tradesman, the legislature, apparently taking advantage of the natural distaste to submit to suspicion and surveillance and determined to coerce the capitalist into trusting his money to corporate ventures and vehicles for investment, has provided a different and more agreeable method of tax collections upon money invested in and through corporations, so that they may return the amount of their tax upon capital stock or profits and the individual holder thereof be exempted from making any return of the same.

What is the result? Go to Philadelphia and note the immense and magnificent structures which in recent years have sprung up there for the purpose of corporate dealing in money and securities alone, and to these add the numerous smaller moneyed institutions which have multiplied in our agricultural towns and villages, as if our farmers expected to find their grists at banks rather than at mills. And consider the millions represented in these investments, and piled away in the buildings, and annually paid out in salaries and profits, and answer if this indicates a healthy condition. In fact so great is the advantage conferred by our tax and other laws upon corporate business that every undertaking requiring any considerable amount of capital is at once incorporated. When we consider the uncontroverted proposition that the soil and production from it are the sources of all this business activity and apparent prosperity, it seems clear that the producer should keep apace with it, or ruin of the entire fabric must follow. It is now beginning to crumble. Formerly it was a common practice, in farming communities, for neighbors to loan money to accommodate each other. This business is now transacted almost entirely through the banks. One of the causes for this change may be found in the law which taxes the money of an individual at interest but provides that the discounted notes of any bank or trust company shall not be liable to such tax.

That kind of property called personal, though in fact the value of it lies in its being an integral part of real estate, amounting to many millions, and consisting of mortgages upon real estate, bonds secured by mortgages upon railroads and of shares in railroad and other companies, is not subjected to taxation for local purposes.



These securities represent a part ownership of the real estate or other kindred property upon which they are secured. When, therefore, they are taxed, the real estate they represent is indirectly taxed with them. Much real estate, including all farm lands, covered by mortgages and judgments, is taxed at its assessed valuation, for local purposes, and the money represented in the mortgages and judgments is also taxed in the hands of the lenders for state purposes.

The law provides that the state tax shall be paid by the lender, but an increased rate of interest practically exacts it from the borrower. Thus the real estate owners, if unfortunate enough to be borrowers upon their property, are subjected to taxation upon it for both state and local purposes, and they pay to the state upon what they owe, and to the local authorities upon what they do not own. From the fact that they are borrowers upon the credit of their property their ability to pay is less than any other class. Here is a violation of the rule of taxation, which holds that all should bear the burden of supporting the government according to their respective abilities. Other tax-paying subjects are protected from double taxation by elaborate provisions of the law.

But there is a vast amount of property, such as the works, buildings, fixtures, road-beds and ways of railroads and canals, and represented by bonds secured by mortgages, and shares in incorporated companies, which is not liable to taxation at all for local purposes. These securities are liable to state tax only.

This property, though it may not be held in fee, is kindred to real estate and constitutes the chief source of the production and profits of the companies operating it, and there is no apparent reason why it should not submit to the same tax exactions as farm lands and other real estate. If equality be a true rule for taxation that method which prescribes one rate and purpose for the property of one class, and a different rate and purpose for that of another class is not warranted, there being no graduation according to the means of the contributors. A system which taxes the productive property of one class for state purposes only, and that of another class for local purposes, upon a different basis of valuation, cannot sit equally upon the shoulders of all the subjects of the state. Neither is it just to exact as a state revenue a tax upon loans, made by an individual, while the same character of indebtedness, owing a banking institution is exempt. Even though the latter may pay a tax it is not imposed upon the property upon an equal rate.

There may be reasons, founded in convenience, why discount loans should be exempted. Still as all loans are made for profit on money, equality demands that all be taxed or exempted alike.

The law which taxes real estate is inequitable through the method of its execution.

What stronger temptation could there be to induce an unjust and unequal levy than is revealed in a system which vests the valuation of taxable property in agents selected by the contributors, as is the case under our law, which provides that the assessor shall value the property of his own constituents? What could more surely lead to partiality, uncertainty and inequality?

It is said that under the English Land Tax of 1793, where the local authorities were allowed to make the assessments, the tax was unequal from the beginning, some districts assessing themselves fairly and fully while others evaded the responsibility.

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Equality in assessments would seem more likely to be attainable if the levies could be made by some general authority, or mixed board of assessment, uncontrolled by local influence or interest; for instance, a county assessor could be appointed to sit with assistant assessors of the several districts, so as to supervise their valuations, and with authority to certify to the commissioners, for revision and adjustment, such assessments as might appear to him to require reconsideration, and without expense to the party appealing.

This subject of equal taxation is now being greatly agitated, and there is little doubt that some changes will be made in the tax laws of most of the states. It should not be forgotten, if we are to judge by the past, that any radical and inconsiderate measure in the direction of a change, may lead to serious results, and those who will make such a change, without fully comprehending the effect, will very likely regret their action. Any legislation which tends to seriously affect values may be disastrous. It is truly said "There is nothing more difficult than the task of familiarizing a people with a new impost." A tax which varies and is uncertain, especially when laid upon real estate, seriously affects the value of the land, whereas, if certain and unchangeable, no such result follows. And it is held that "A considerable degree of inequality is not near so great an evil as a very small degree of uncertainty." When a tax upon land is certain it, in effect, becomes a rent, which is taken into calculation in buying and selling and is considered in fixing the value of the products of the land in the market. It is shown that land subject to a certain and fixed rate of taxation will sell as high as that which is exempt but liable to a lower but fluctuating or accidental tax.

The value of land in France is as high, and in Belgium much higher, than in England, though in both countries there is a heavy land tax. In any undertaking to enact an adequate and effective system of taxation there is to be considered the difficulty of levying and collecting in the hands of the owner an onerous tax, from that kind of personal property which is secured by mortgages or bonds, upon mortgages and shares in companies.

If too severe the impost might result in a total destruction of the revenue from these sources. Personal property, in contemplation of law, has its *situs* wherever the owner is, and is supposed to be in his actual possession. Therefore, when local taxation upon it is high enough, in comparison with that imposed in other places, to make it an object to avoid payment the owner need only to change his place of residence to escape the objectionable tax. This species of property, it must be borne in mind, has the advantage of real estate in that any attempt to unjustly tax it defeats itself.

It follows that, after all, the substantial dependence for a permanent revenue is upon real estate and kindred property, which, by its nature, is tangible, permanent and fixed, and cannot be removed by the owner at will. Such property consists of the bed, trackage, depots, stations, fixtures and works of railroads and canals although not held in fee.

Justice to the largest class of real estate owners, the farmers, warrants that these properties be taxed for local purposes. A direct tax upon the property, based upon its actual value, would be much more certain than if imposed upon the securities which represent that value. It is true that a capital tax may be exacted from corporations, doing business in the state but if this course is alone to be pursued, as now, then the equivalent of the value of the tax upon their local possessions and



wealth should be diverted from the state to the county treasuries. Such securities as are unquestioned as liens, representing the value of farms and real estate taxed for local purposes should be relieved of the taxation for state purposes. This would abolish an unpopular inquisitorial law and ease the indebted occupants of real estate of the double burden of a state and local tax upon the same property.

It must not be forgotten, however, that the corporation taxes collected by the state relieve the counties, *pro tanto*, of the burden of supporting the state government. Yet the relief is not proportionate so long as the corporations but pay a state tax, under the present rates, upon their securities, while the actual property is not taxed at this value, whereas in farming communities the land and securities representing it are both taxed. To give the latter proper relief the other property should assume a more equal burden, and the state tax upon the capital should be increased so as to equalize the total amount of the tax burden with that upon farm and other lands in proportion to the actual value.

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Wealth, as has been said, is of two kinds, first, that which is absolutely necessary for supporting industry, second, that which can be saved. The latter kind can alone be taxed. Taxation does not diminish or destroy capital, it only changes the course and use of it. When properly used, the revenues from it call labor into activity and distributes a portion of the wealth of the country into the hands of those who eventually pay the taxes—the consumers. In business, prices finally adjust themselves according to the value of the article marketed. A taxed article is affected, in its value in proportion to the amount of tax to which it is liable, and sells accordingly.

Whoever buys a farm estimates its value subject to the tax upon it, which really is a species of rent. When he sells, the same calculation enters into the price. The net income is the basis of valuation.

An article recently called to my attention puts the case in this way: "The man who really pays the taxes upon a farm is the tenant. He in turn counts his rent, including that portion of it which really represents the taxes, as forming part of his business and family expenses, and as his business must yield him a living or be abandoned, he makes his customers contribute their share of the taxes by the profits which he adds to the price of his goods. The result is similar but more evident in the case of the duties on imported goods and the revenue taxes on tobacco and whisky. Whatever the importer and manufacturer pay, in the first instance, they collect it out of the purchasers of their goods and these in turn do the same from the purchasers they sell to, and so the tax is passed along until at last it rests upon the consumer of the article taxed." The problem of equal taxation, of so much interest to the farmer, and which some hot-headed advocates of his interests insist he shall undertake to solve alone, is a most difficult and embarrassing one.

It will never become finally and satisfactorily settled, as the single work of any class, or when adjusted from the standpoint of any interest to the exclusion of others.

A broad, patriotic and lasting disposition of this question demands the careful attention as well as the united wisdom and joint sacrifice of interests of all trades, classes, occupations and kinds and orders of men. Whoever undertakes the settlement of this question assured of an easy outcome, most probably will discover ere long that the trouble does not all arise from unequal taxation.

I have said that the tenant upon a farm subjected to a fixed tax, calculates the tax with his expenses, and eventually gets it back from the consumers in the profits which he charges upon his products. As a rule this is true in all branches of business, for so soon as the profits will not pay expenses the business is abandoned for another. But with the farmer the case is different. He may realize that farming does not pay and that he cannot collect his expenses and taxes from his customers and he may desire to seek another business. But his fortune is invested in the farm or stock and implements, and to abandon these is absolute ruin. He is helpless. The trouble is the same as with a tradesman—there is not enough demand for his ware to ensure a living profit. Why? Because more are offered than wanted. There is an over-production and he cannot fix his price according to the cost to him.

It, therefore, appears to me a settlement of the tax question, however favorable to the farmer, will not strike at the root of the present evil. Self-preservation is the first law of nature; and the sooner farmers of one section understand that their interests are not identical with those of another it will be better for all. When the farmers of the eastern slope shall become wise enough to so manage their industry as to evade the competition which is crushing them, through the over production of the west, there will be little trouble over the subject of state and local taxation.

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## TAXATION.

By JOHN B. McBRIDE, *Cannonsburg, Pa.*

(Read at Lannonsburg Institute.)

The question of taxation is one that, from the earliest history of governments, has been intimately identified with them. A revenue for the use of the state is absolutely essential to the existence of any orderly and successful form of government. In the early ages, rulers had other means of supplying their wants without resort to regular levies or tribute from the people. State properties with annual rentals therefrom, fines, confiscations or compensations for crimes, etc., being amply sufficient. Among the Hebrews, in the time of the theocracy, there was a capitation tax of half a shekel (about thirty cents of our money) payable by every male in the nation. Also attribute of the first fruits and of the first born of the domestic animals. A redemption tax, for the first born male of the family, and a tithe system for the support of the tabernacle service, and for the poor. After the adoption of the regal form of government, taxes were largely increased, and became very oppressive. In Rome, under the republic, the spoils of conquered nations and the annual tribute exacted from them, defrayed the greater part of the expenses of the state. The first approach to modern systems of taxation was made during the middle ages by the Republic of Venice, which levied taxes on the lands of the republic, and duties on manufactures and imports. In France, before the revolution, there was a serious obstacle to any equitable system of taxation, in the fact that the nobility and clergy, the privileged classes as they were termed, were exempted from its burdens. In England, for centuries, the finances were badly



managed, the privileged classes, as in France were exempted. Often the taxes were insufficient to meet the expenses of government, forced loans, contributions and confiscations were frequent, and under these conditions, industry became very much depressed and discouraged.

In some of the provinces of western Asia the government, with the right of taxation, was bestowed on favorites, or sold to the man who would pay highest for it. Their duration was short, but cruelty and extortion prevailed, completely annihilating industry and transforming countries once prosperous and populous into desert wastes. Thus on down through the centuries, this question meets us, and is more or less acceptable, as the burden upon the people is just and equitable, or otherwise. Taxes are classified as direct and indirect. The former are those levied upon the persons, property, business, income, etc., of those who are to pay them; the latter are levied on commodities in the hands of manufacturers and dealers, and will be paid ultimately by consumers, as a part of the price of the commodity. The true principles of taxation were little understood until the time of Adam Smith, and indeed are yet, in many particulars, the subject of controversy. This writer lays down the following maxims in relation to the subject of taxation.

"1. The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.

"2. Every tax ought to be so contributed as both to take out and keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state." This maxim is often violated by large and needless accumulations in the public treasury, and it is a serious one because of the tendency to extravagance, speculation and corruption.

Professor Walker, in his "Science of Wealth," lays down the principle that "The heaviest taxes should be imposed on those commodities the consumption of which is especially prejudicial to the interests of the people." This maxim has been adopted to a greater or less degree in every country having any considerable taxation.

This maxim is one of the leading features of our tax systems, both state and national.

Taxation in the United States is arranged under the three heads of federal, state and municipal.

The first is made up almost wholly of customs and excise duties. State taxation is usually for general state purposes only, and is laid upon real estate, personal property, occupation or privileges, on the franchises of corporations, etc.

Municipal, or local, taxation, by far the most important, because of the heavy burdens it imposes, embraces all taxes laid for the general purposes of counties, cities, boroughs, townships and villages.

This local taxation being the heaviest drain upon the people, it is here that the question of equalization should be more fully studied and comprehended by them.

Political economy requires the administration of the revenues of nation, state or municipality in such manner as shall best secure the success of individual industry and enterprise, and promote the general public welfare and development.

The subject is of vast extent, far reaching and important, both in its methods and results.

Equalization, as laid down in article ninth of the state constitution, is a fundamental principle of the tax system of our Commonwealth and it is the bounden duty of both citizen and officer, to see that it is obeyed. There is a conviction growing in the minds of the people that real estate has for years borne far more than its share of the burden of taxation in our commonwealth.

Well may we repeat the inquiry of Governor Pattison. What delinquency has real estate been guilty of, that it should be thus unfairly discriminated against? To see something of this great injustice we have but to look at the reports of the Secretaries of Internal Affairs and Auditor General.

From these reports it appears that the aggregate value of the real estate in Pennsylvania amounts to \$1,840,443,540, and pays an average tax of 18.8 mills, amounting to over \$33,000,000 per annum. Corporate property is valued at \$1,800,000,000, to this must be added personal property amounting to not less than \$520,000,000, making an aggregate of more than \$2,300,000,000, corporate and personal property, paying an average tax of two mills, making a total of about \$7,000,000, collected from over \$2,300,000,000, personal corporate property, while \$33,000,000 are annually collected from \$1,840,443,540, real estate.\* The gross injustice of such legislation to the great agricultural class should be known by all and a speedy remedy provided. This tax equation is widening and deepening in the minds of the farmers. The educational spirit is entering more largely into it, its defects and inequalities are being searched after and will be eliminated. With the constitutional mandate that "all taxes shall be uniform upon the same class of subjects" and that grand sentiment of the immortal Lincoln that, "this is a government of the people, by the people, and for the people," should impel us to go forward with renewed energy and with a determination having the courage of our convictions and

When beaten back in many a fray,  
Yet newer strength to borrow,  
And where our vanguard rests to-day  
Our rear shall rest to-morrow.

Mr. Chairman or fellow citizens, *Equalization* is the remedy.

The philosophy of government pre-supposes personal magnetism of sympathy pervading and knitting together into harmony the several constituent parts.

This principle, so good and true, is, however, largely neutralized by avarice, duplicity and favoritism. This crisis cannot be met by presenting intricate theories looking to the ultimate distribution of all taxation.

The writer is scarcely fair in his statement as to the value of real estate; he forgets that the value of \$1,840,000,000, as given from the reports of the Secretary of Internal Affairs, is the assessed value and not the real or actual value; our data relating to the assessment of real estate leads us to believe that the assessed value is at least one third below the real value and that instead of the figures used by the writer the real estate may be safely placed at not less than \$2,500,000,000. In his valuation of personal property the writer adds the value of property entirely exempt from taxation by law; if he does this in the case of personal property he should also do it in the case of real estate; the reports of the Secretary of Internal Affairs show that there is \$200,000,000 (assessed value) of real estate exempt from taxation in our state; if to this we add one third for the difference between the assessed and real value, we have not less than \$250,000,000 to add to the sum total of the real estate, making it \$2,750,000,000 instead of \$1,840,000,000, as assumed by the writer. He also fails to note that this valuation also includes the value of property owned by corporations and companies. As this real estate pays taxes to the amount of \$33,000,000, it follows that is taxed at the rate of about twelve (12) mills, instead of 18.8 mills as stated.—

SECRETARY,



The income tax, which is being advocated with a good degree of favor, and which, however just in theory, has always proved unequal, from the impossibility of securing accurate returns, and its unpopularity, from the necessity it involves of prying into the business and private concerns of the people. New theories are not demanded, but the removal of those discriminations that are working untold evils upon the people.

This is a question for legislators and statesmen, whose patriotism is not bounded by party limits, but whose view of public duty prompts them to lay foundations for the public weal upon which the people of the present, as well as of future, generations may build with safety. Tax equalization will more than half solve that problem which is absorbing so much public attention at present, namely: "How to secure better country roads?" because every enterprise, and industry would be required to bear its equal share of the burden.

To the taxpayer, then, this is a problem of dollars and cents, and because of our relation to it, we should see to it that as "all power is inherent in the people," their just and equitable rights must not be disregarded in this question of taxation.

## TAXATION.

By T. J. PHILIPS, *Atglen, Pa.*

(Read at Kennett Square Institute.)

Taxation is a creation of civilization, and as a nation advances in wealth and population the sums necessary to conduct its law making and executive departments of necessity increase, but should not, if properly managed, equal the increase of property subject to taxation, because the gain in fixed capital is twice as great as the increase in population, at least such is the case in the United States. Hence it seems as though the percentage needed should grow steadily smaller, and such would be the condition did all values bear an equal proportion of the burden, and the revenues be honestly applied.

A century ago when our state constitution was adopted the steam engine was not in general use, and the tremendous increase of manufacturing, internal development and wealth now so apparent was only beginning.

Then almost the whole burden of taxation fall upon real estate, because it was almost the only thing valuable. We had not reached the end of the first quarter of the present century, until steam was applied and used for almost every purpose that animal strength and water power had previously been. The ready brains of our mechanical exports were kept busy designing and their hands employed constructing machines never before dreamed of, with which one man was able to accomplish as much as a score had done previously.

The steamship, and railroad contributed more to our rapid progress than all beside, and upset all heretofore conceived ideas of values; they made the product of the distant farm and mine almost equally valuable to that near by, attracted produce from abroad by millions, and gave us the whole world for a market. Nearer our own time we find that the

development of coal mines, oil wells, the numerous applications of electricity and colossal manufacturing establishments have each employed labor and capital to a greater amount than the whole value of the colonies at the time of the war for independence, and as each of these enterprises knocked at the doors of our state government for recognition and corporate privileges, their petition was granted, and almost on their own terms, is it any wonder therefor that our laws regarding taxes and revenue are like a crazy quilt patches of almost all conceivable sizes and shapes that the ingenuity of selfish man can invent, and the pliable conscience of an inexperienced legislator renders possible?

We have now reached the period when corporate capital is double, that invested in real estate, and yet real estate pays twice as much in taxes as the corporate associations; is this fair? Why should a dollar invested for gain on profit in banking capital, or railroad shares not bear the same proportion of the expenses necessary to protect it and make it accessible that a like amount invested in a farm is compelled to contribute?

What good reason is there for assessing the net profits of the broker, and the gross sales of the merchant, while the owner of real estate is assessed for all he has, without regard to profits or income?

Why is the capital stock of a bank taxed six mills on its par value, and a trust company one-half mill on each one per cent. of the dividend it pays its stockholders? Or the broker three per cent. of his net profits and nothing on the bonds in his safe, while the farmer who is so fortunate as to be able to purchase one of these same securities, must immediately pay three mills to the state.

A company incorporated for one purpose, pays three-fourths of one per cent. on its capital stock, another eight mills and still another ten mills while another of precisely a similar character pays on its gross earnings. An individual pays three mills to the state on all sums held in trust for another, while our incorporated trust and deposit companies hold millions that are exempt.

One farmer invests his capital in cows and pays about one per cent. in taxes on them, another puts his cash into beef cattle or sheep, expecting equal profit and pays nothing. The agriculturist invests in stock as part of the necessary machinery of his farm and is taxed, the manufacturer's machinery is exempt.

Every betterment to real estate (if only a keg of paint on a fence) is seen by the argus eye of the assessor and the owner is gently reminded that he cannot improve his surroundings, though he at the same time benefits the community, without paying for the privilege, but the corporation can expend thousands and millions (if done without issuing new stock) and goes free.

These are some of the inconsistencies and inequalities of our present laws relating to taxes, whether they are paid directly to the state or to local authorities it does not make much difference. But the fact that all other property, than real estate, not exempt or concealed, pays a definite fixed amount to the state, and the less valuable but visible, real property has to shoulder nearly the whole burden of local taxation, viz., county, school and road taxes, is discriminating against the one least able to bear the burden. Statistics show us that the income of the farms of the state is only twelve per cent. gross, while the average from manufacturing is thirty-one per cent. net, can anything be more unfair? Is it any wonder they can offer superior inducements to labor



and drive us still lower in the estimation of the world? In theory labor is honorable, and the avocation of the farmer noble, etc., but in practice income without earning it, and unsoiled hands and clothing, is the Mecca of modern mankind.

The farmer, the only real producer of anything, the builder and supporter of the government, has sunk to the lowest strata in society, and every trade and profession is preferable to his, and our lawmakers are responsible.

The total personal property of the state including corporation capital, mortgages, building and loan associations live stock etc., is about \$1,650,000,000, of which \$72,000,000, is live stock, the greater part of which belongs to the farms, and this great sum only pays three and one-half mills in taxes (and how much is not reached, I leave you to judge), while the farms which cannot be concealed pay an average of nine and one-half mills. Is this alone not a sufficient reason why our acres are yearly shrinking in value, nobody wants them, and why should they? Our representatives (in name only) prefer every body and every thing to the farm and its owner, and put upon him a tax of disapproval.

This is a dark picture enough without dwelling upon the double taxation imposed upon the holder of real estate, by compelling him to pay the sum assessed against the whole, when in reality his neighbor owns one-half or other sum by reason of his mortgage, and only pays three mills to the state. Nothing for the schools, roads and courts without which his property of whatever kind would be worthless. Only last week our Supreme Court decided that trust companies should not pay tax on both their stock and securities, because of its being double taxation. Where the state tax on both or double taxation would not reach the amount, we farmers always pay.

It is with extreme diffidence that I suggest a remedy, for that a remedy is needed no one disputes, and our legislature, county commissioners, Patrons of Husbandry, even our Auditor General, have proposed bills or suggested a basis, that, in their opinion, would give the needed revenue and relief. After such experienced minds have wrestled with the subject anything I might offer would be of little avail. But that investment in farm land is not, and cannot become, a favorite, as things now stand, is apparent. Every other business offers a premium, sanctioned by law; or in other words, we are handicapped with one per cent. more in fixed charges, and if exemptions and under valuations are considered, it amounts in reality to several per cent.; and the gentleman of the assessors list, the man who lives on his income from money at interest, in your pleasant borough, who toils not, neither does he spin, who adds not an iota to the world's capital, pays least of all, while energy and risk pay his taxes for him.

Some of the bills referred to are so sweeping in their character and radical in their changes, that their effect can only be surmised and their enactment doubtful. The McCamant bill or substitute is the product of one experienced in legislation and legislators, and would be perhaps worthy of trial, it would give the needed result without employing new machinery or creating new offices, perhaps one of the others may be better when amended and shaped by the united intellect of our solons at Harrisburg. I can, however, suggest some remedies, and eminently proper subjects of legislation that would give us great relief without altering our present statutes relating to revenue at all, and which some of those who are laboring over the question, will not perhaps think,

for instance, blot out the office of mercantile appraiser, have the commercial men make their return to the county commissioners direct. They return just what they choose anyhow; the testing of weights once a year could not keep a tricky merchant honest and the law was repealed. Reduce the fees of our county officers, or dispense with fees entirely and pay them salaries. For what good reason does the register retain five per cent. of the collateral inheritance tax. When he is already paid many times over a fair value for his services. Wipe out that army of officers in and about our halls of legislation. The idea, of paying six men \$4,000 to do that which one laborer at \$1.50 would and could do, multiply this by twelve and you have about the sum wasted on one item alone. Stop the public printer from drawing \$331,000 annually from the treasury for printing that which so few care to read, instead, furnish a copy of the Journal and Record, and the reports of the departments, to each member and for the public offices and libraries, gratuitous, and then put a limited edition on sale at cost to those who want them. Restore the hours of labor in the public service to the number an enterprising, self-respecting business man devotes to his own affairs and at the same time stop trying to instill into our young men, by law, that labor is dishonorable.

Abolish the Soldiers' Orphans Schools and save \$308,500 yearly; the orphans of thirty years standing should be sufficiently nurtured by now, and their children should be inmates of the public school with our own.

Abolish the manufacture and sale of intoxicants, and save over \$3,000,000, now appropriated to our jails and charities and contributed by the counties for the support of the poor. Beside, one judge and the old court house would do us for many years to come.

Abolish the return features of the constable—it is a farce. He sees nothing but the rotten pointer post at the cross roads. These things alone would give our State Treasurer enough surplus to pay half our road and school taxes and very materially reduce our county expenditures, even though we bought every bridge on the Schuylkill river.

If the machinery of the state is such that the assessment of corporations, manufacturing and commercial pursuits can be made more accurate and cheap by them than by local authorities, and I do not doubt it, let the present system continue, only collect from each its proper proportion, and this would be no hardship. Do they not enjoy the benefits of our courts? Would they have ever been in existence except for the school and public highway?

Why should they be exalted above the laborer who pays taxes on his occupation, his industry, the source of all wealth? Upon whom the curse of God to Adam falls literally, "In the sweat of thy face shall thou eat bread."

Chester county has sixteen distinct railroads, aggregating about two hundred and fifteen miles, and occupy something like one thousand five hundred acres of its land, which is now unproductive of revenue for local purposes. I know the other side also, that our farms would be worth less were it not for these means of communication, but they were not acquired and improved for our interest, but a selfish one to their owners, and only reflect on their surroundings, as one of your beautiful homes adds to the value of neighboring property, and you are not exempt or a charity in the estimation of the tax gatherer.

The argument that we will only have to pay their increased expenses in another form, should heavier burdens be put upon them, is not



founded on facts; supply and demand regulates transportation as it does labor and capital, and the great army of paid officials of the corporations, constantly in attendance at our seat of government, alert as to legislation affecting their interests is of itself sufficient reputation. Notwithstanding I advocate the equalization of the tax burden, it is not in dollars and cents that the greatest relief will be felt, but in elevating the occupation of the farmer to par as compared with commercial and manufacturing pursuits, and give him a standing in society and politics he does not now enjoy, and will give our lands again a market value in the estimation of capital, for the capitalist does not want that which no one else wants.

Were our taxes reduced one-half it would not make us rich, in fact to the great mass of humanity, it would amount to no more than is frequently spent on one holiday for recreation. In my township there are two hundred and twenty assessed voters and one hundred of them pay less than \$1.50 annually for road purposes. While the sum necessary this year is \$1,330. My experience has been that those having the most to pay, do it easier and more promptly than those having the least. Nothing but push and perseverance will win on the farm or off of it, and the sooner we realize the situation and accept it, the more quickly will we reach that condition of comfort and contentment for which all strive, though many will fall by the way, as they do in all walks of life, have ever done and always will.

### FIFTY POINTERS IN THE TAX PROBLEM.

By the SECRETARY.

1. When our present leading revenue laws were enacted, real estate constituted the leading investment of capital and the visible wealth of our state. The aggregation of capital for the purpose of carrying on large undertakings was unknown, and, not being anticipated, was not provided for in the system of taxation, which, at the time of its adoption, fulfilled the purpose desired and ensured comparatively equal taxation. The only cause of inequality being unequal and unfair valuations.

2. Since that time corporate wealth has not only greatly increased until at the present time it almost equals in value the real estate of the commonwealth, and even exceeds it in its profits, but acts of incorporation now cover even the use of limited amounts of capital which might readily be furnished by single individuals except for the reluctance of any one to assume the chances of loss. Thus we have in our state corporations with but \$5,000 of capital invested, and a few with even less than this amount.

3. It is a point which cannot be successfully disputed that real estate, under our present system of taxation, bears an undue and unfair proportion of the weight, and the burden has become so heavy that the owners of real estate, especially of that depending upon agriculture for its profits, has been aroused and demand a change which shall in some way more fairly equalize the load. It is also true that the maximum and minimum of this inequality has been exaggerated by making the comparison, and that the figures given are unfair in many particulars.

4. This inequality is due not so much to the laws regulating our revenues as to changes which have taken place in the character of the property taxed. When the legislation was enacted it was probably fair and just in its provisions and bore upon all in about the same proportion. What is now required is another classification of property whereby new sources of wealth and profit may be made to share their fair and just proportion of the expenses of government, and by which equality may be more nearly secured.

5. From the condition which exists it is evident that, no matter what changes may be made in our revenue laws, real estate must and will continue to bear more than its share of taxation. Corporate and personal property are so easily concealed, and laws will not make men honest; more or less has been and will be concealed from the assessor; but real estate, being visible, cannot be concealed and will, under any system of revenue legislation, be more nearly covered by the assessor in his annual rounds.

6. Corporate and personal property, so far as assessment and taxation are concerned, have their location with the tax payer, and the point of assessments is not fixed by the point of investment. A citizen of New York, owning stock or personal property in Pennsylvania, will be assessed and taxed in New York. Hence this class of property, if unduly or too heavily taxed, may make it an object with the owner to change his location in order to avoid the burden. Thus corporations have, in the past, sold their plant and have removed to another locality on account of exemption from local taxation offered them by cities or boroughs.

7. By heavy taxation it is possible to drive capital out of the state, and cause its investment in other locations in which the owners can reserve more of the profits for his own use, and where he will be compelled to pay less for the support of the local government.

8. It therefore becomes a very important problem to so adjust taxation that while we relieve real estate we shall not so burden corporate and personal property as to produce the effect noted above, but we do not believe that this danger exists to nearly so great extent as the owners of this class of property represent.

9. In very many cases it will be found that in shifting taxes from one subject of taxation to another, the increase in taxations falls where it is least expected, and instead of lowering the taxes of any certain class we may increase them. It is quite possible to decrease the tax upon real estate and increase it upon personal property so that the owner of mixed property may find himself paying an increased tax where it was supposed that an opposite effect would have been produced.

10. Thus it is very possible to decrease the taxation on farms and real estate and increase it on the personal property used in carrying on those farms to such an extent that the farmer will, in the end, find his taxes increased instead of decreased.

11. It is also possible, by an increase in the taxation of floating corporate property, to drive it to other locations and thus destroy the market for agricultural products which the presence and expenditure of this property always creates. Thus, if applied to the locality of a single township or state, it might be possible to so arrange taxation as to drive manufacturers away and thus remove the market upon which the farmer depends.

12. The taxes laid upon farms and agricultural property are largely local, and consist of levies for the support of the schools and the repair



of roads, and in some counties they are for the support of the poor. They are distinctly local in both collection and expenditure. They are collected by collectors elected by the parties taxed, and are expended by officers elected by the same voters.

13. It is undoubtedly the case that the increase in taxation is partially due to extravagance which crept into all positions during the war, and are due to increase in salaries, etc., which have never been decreased with the decrease of other property and other sources of revenue.

14. Much of the increased burden might be relieved by insisting upon more rigid economy in the administration of township and county affairs, and by the decrease of salaries and fees. A careful examination of the list of salaries paid county officials in almost any county in the state, will show that this increase still exists and that there has been little or no decrease.

15. It is evident that if the same amount is to be raised by taxation, an equalization can only be attained by shifting the burden from real estate to other classes of property. As our investments are now constituted, this can only be accomplished by increasing the taxation on corporate and personal property.

16. Under our present revenue laws, corporate and personal property is mainly taxed for state purposes and the resulting funds paid into the state treasury. The proposed equalization then demands a solution of the question as to whether it is best to so arrange this increased taxation that it shall be paid into the local treasuries instead of into that of the state.

17. The increased tax upon this class of property could very readily be paid into the state treasury and from this point be paid out locally for the improvement of public roads and for the support of the public schools. The result would (or should) be a decrease in local taxation proportionate to the amount thus received.

18. The constitution names the minimum amount which shall be paid from the state treasury for the support of the public school system of the state, but it does not fix the maximum. The legislature may at any time (as it has already done) increase this amount indefinitely or until the state shall assume the whole expenses of its public school system.

19. While the constitution does not appear to have contemplated the state exercising any control over the repairs or improvement of our public roads, yet the fact that the control of these highways (as to right of way, etc.) remains in the state, would point to the fact that the state can assume the whole (or any part) of the expenses of permanently improving or of repairing the public highways.

20. Admitting that the tax upon corporate capital should be so increased as to relieve real estate, the problem then resolves itself into the above question, shall the increase be in the shape of state taxes or in the shape of local or township and county taxation?

21. Again admitting the propriety of an increase in corporate taxation, how and where shall it be applied? Shall we tax the road bed, rolling stock and personal property of railroads, or shall the increase be derived from an increased rate laid upon their profits only? Is not a tax upon the road bed, rolling stock and personal property of a railroad in the nature of double taxation? Inasmuch as the funds produced by the sale of stock and bonds was used for the purchase of these important items, and inasmuch as this class of corporate property is

already taxed, might not the increased tax be taken as double taxation?

22. Would it not be best to lay this increase upon the profits of the corporation rather than upon its personal property? In like manner, would it not be more just to tax all "in proportion to their profits and their ability to pay the tax? Would not this doctrine apply as well to the farmer as to the railroad?

23. If the theory that taxation should be graded in proportion of the ability of the taxed to pay, does it not follow that a tax upon the incomes and profits is the fairest and best way to obtain the funds necessary for carrying on both local and state governments?

24. Is not the fact that in the attempt to cover all kinds of earnings and profits, that of salaries has largely escaped attention? Why should not the employé who has a salary of \$1,000 pay the same for the support of government as does the owner of real estate, the farmer or the capitalist from the same income? Is it not a fact that salaries escape with a very small proportion of taxation?

25. Skill and education are just as much a man's capital as are bonds, real estate and farm stock. Both enable a man to earn a revenue varying in accordance as he may possess them, being lowest where the least is possessed and highest where most is given. Again, we find a point where an income tax would be the most just, most readily collected and least felt.

26. But, admitting that this is correct, we again meet the evil that, under our present system of taxation, all in the same calling are taxed alike; the lawyer who makes but \$1,000 per year is taxed at the same rate (if neither have real estate) as the one who makes \$10,000; in some of our counties both would be taxed at \$150 regardless of their profits.

27. A tax levied upon profits may be unfair; thus, for instance, a tax levied upon the profits of a coal company is upon a product the removal of which decreases the value of the real estate of the corporation, while if levied on the profits of some other corporation (as, for instance, a railroad) it may be followed by an increase in the value of its property and franchises.

28. The removal of a ton of coal may place the real estate of the company just that much nearer its minimum value, while an increase in the profits of a successfully managed railroad or similar corporation may increase the actual value of its property. The ability of a railroad to pay an increase of one per cent. in its dividends increase its whole property in the same proportion, but such would not be the case with the work of a mining company of any kind.

29. The profits of invested corporate capital, like that in farming, etc., will vary from year to year, and it is possible that in some years no profit will be made; taxation based upon the value of the property controlled, will, therefore, be unjust, because it is not proportioned to the profits realized. During the year in which no profit is made the taxes will be quite as high as in profitable years.

30. Precisely the same argument may be applied to the vocation of the farmer; by a favorable season he may, by an unexpected increase in crops, have an increase in profits, which may, the next year, be balanced by a failure of the same crop; and yet his taxes for both years will be the same, while his ability to pay them during the unprofitable season will be greatly decreased.

31. The present complaints against the inequalities of taxation come mainly from our farmers, and, at least, not from the real estate owners.



of our towns and cities. The inequality of the taxation, being based upon the value of real estate, bears upon both classes alike; the city real estate owner is taxed even higher than the farmer, but does not complain to the same extent.

32. The city real estate owner who rents to another, can readily recupe himself for increased taxation by increasing his rent; the railroad, under the same conditions, may increase its freight rates; the artisan, in any trade, may increase his charges; the hotel proprietor may increase the rate of his board.

33. But of all men the farmer who farms his own land has no such remedy; he cannot increase the prices of his product for he finds the western farmer in close competition; if he increase his crops by fertilizers and good management, the assessor will increase the valuation of his land, and thus he is met with the opposite evil. In fact he cannot, in any way, transfer the burden to another, but must invariably meet it himself. The cause of his complaint is therefore evident.

34. In estimates of the actual value of the real estate of Pennsylvania, an insufficient allowance has been made for the difference between the assessed and the real value; in some counties the assessment is based upon one third value; in others on one-half; in some on two thirds, and in a few upon but one-fourth value. All of these items should be taken into the account when estimates of actual value are made.

35. The reports of the Secretary of Internal Affairs place the assessed value of the taxable real estate of the commonwealth at (in round numbers) \$2,000,000,000; this does not take into the account \$200,000,000 (assessed value) of real estate exempt from taxation; making a total of \$2,200,000,000 as the assessed value of our real estate.

36. Those who are interested upon the side of real estate in all questions involving taxation are willing to grant an increase of one-fourth for the difference between real and assessed value; this furnishes us with the minimum or conservative estimate of \$2,750,000,000. After some investigation into the rate of valuation and taxation of farms and farm capital, we are satisfied that the real estate of the commonwealth may safely be valued at \$3,500,000,000.

37. Taking the minimum value of \$2,750,000,000, and the estimate of taxes paid amounting to \$32,000,000, we have a tax rate of 11.27 mills; taking the valuation of \$3,500,000,000, we have a tax rate of 9.14 mills; the average between them is 10.02 mills. We therefore assume that the average rate of taxation on the real estate of the commonwealth is not far from 10 mills, or one per cent. on its value in the market.

38. In nearly all the comparisons made between the taxation of real estate and personal and corporate property an injustice is done the latter from the fact that in the valuation of real estate no account is taken of that exempt from taxation, but in considering corporate and personal property, all is counted and goes to swell the total. If property exempt by law is not counted on one side it should not be taken into account on the other.

39. The estimates of the Auditor General show that the value of "stock of manufacturing corporations not subject to tax" is \$150,000,000, and that the "value of stock of building and loan associations not subject to tax" is \$75,000,000; this makes a total exempt by law of \$225,000,000. This amount, if deducted from the usual estimates of the value of corporate and personal property would proportionately increase the tax rate upon this class of investments, and while it would

still be far from being equal to the tax rate upon real estate, would decrease the present estimated margin between them.

40. Such estimates also fail to take into consideration the value of the real estate owned by corporations and taxed as real estate, and enters into the total value of the real estate of the state, but which is the product of the money represented by and taxed as stock, etc., of these corporations; this may be claimed by corporations as an offset to the taxation of both the land and the mortgage on the land.

41. The most reliable estimates of the total value of the corporate and personal property of the commonwealth vary from \$2,000,000,000 to \$2,750,000,000; both valuations include the classes of corporate property which are exempt from taxation by law; the average between the two is \$2,375,000. If, as has been assumed, this class of property pays a total tax of \$6,000,000, it follows that it is taxed at the rate of but 2.52 mills, or at the rate of about 25 per cent. on the tax paid by real estate.

42. The Auditor General furnishes the following estimate of the various items making up the value of the corporate and personal property of the state: Salaries and occupations, \$85,737,000; value of banking capital, \$100,000,000; value of corporate capital, excluding banks, manufacturing companies not taxed and buildings associations \$650,000,000; mortgages, judgments, bonds and money at interest, \$575,000,000; stock of manufacturing corporations not subject to taxation, \$150,000,000; stock of building and loan associations, \$75,000,000.

43. In considering the tax problem farmers should bear in mind the fact that the horses and cattle, as valued for taxation, amount to but \$42,170,000, while a reasonable valuation places the live stock of the state at \$115,000,000; if all property is taxed the whole of this class will be included and valued in proportion to real estate. The result would add about \$71,000,000 of taxable personal property to the list.

44. Presupposing that an increase in the taxation of corporate and personal property is necessary to bring about an equalization of taxes, we find two plans open for consideration: The present rate of taxation for state purposes may be increased and the surplus paid over to counties or townships for the improvement of public roads or for the support of the public school system, or this increase may be provided for by local taxation of revenue from these classes of property. In either case the reduction of taxation on real estate should be the same.

45. There does not appear to be anything in the constitution to prohibit the state from assuming the entire cost of the public school system, and thus relieving local taxation to the amount of \$12,000,000. To accomplish this it would not be necessary to in any way interfere with the local control of the schools as it now exists; an increased appropriation need not in any way influence the control of the schools than does the \$2,000,000 now appropriated by the state for this purpose.

46. Local taxation of corporate and personal property is open to the objection that by it the increased revenue from this source would not be equitably divided locally; thus, for instance, some counties or township would, on account of the presence of railroads and other corporate property, obtain a considerable increase while other localities, not so favorably situated, would not be benefited, or if benefited at all, would not gain in the same proportion.

47. This inability to equitably distribute local taxation of corporate property gives us the strongest argument in favor of its increase and collection by the state and its distribution to townships or counties upon some equitable and just basis.



48. It is evident that if the township or county received no increase of revenue by taxation of corporation property, its real estate would not be relieved at all, and we would have a very unequal system of taxation on this class of property.

49. An increase of revenue by local taxation of corporate property would entail an increased cost of collecting it, while its collection as a state tax need not be attended by such a result. State officers are salaried, while many county officers are paid by percentages on the amounts which pass through their hands.

50. In the adoption of any system or in any changes made in our present system, that plan which the least investigates the private affairs of the individual will be the most popular. Our people as a class are opposed to anything inquisitorial on the part of the assessor, and it is doubtful whether an assessment under oath will be productive of the good results expected by those who propose it.

#### DISCUSSIONS OF THE ANNUAL MEETING OF 1891.

The essay of Mr. Hamilton being under consideration by the board, the following discussion took place, and is here given in a condensed form:

J. B. SMITH, of Luzerne county. I have been very much interested in the essays read this forenoon; they were read with a great deal of force. Professor Hamilton says the landed property, house and lots, etc., in Pennsylvania, pays 15 mills on the dollar. Let me give you an illustration of how property is assessed in our county, and it is supposed that we pay more than any county in the state: Our coal land is worth \$2,000 an acre, and by renting it to those corporations that have no souls, we will get \$6,000. What is that assessed at? simply \$60 an acre. Where is your 15 mills on the dollar? You take the houses in our valley, I have a house that cost \$10,000, and they assess it continuously and put the largest assessment on me because they thought I was able to pay for it, and he assessed a property at \$900 that I wouldn't take \$20,000 for, and every building lot is taxed \$60 an acre. I venture to say that the farmers don't pay eight mills on the valuation of property in the State of Pennsylvania. What has a bank to pay? They pay on \$100,000 capital, a tax of \$600 to the state and more to the government. A neighbor used to talk about corporations and banks not paying any taxes. I said to him, you have a property worth \$100,000. What is the total of your taxes? He answered, \$500. My answer was, I don't want to know anything more about your paying taxes. The First National Bank of Plymouth, which I represent, pays \$600 on a capital stock of \$100,000. The banks pay in as much as any railroads or any corporations. You take the railroads, and what do they pay? My friend says they pay 3 mills on their earnings, and, besides, about 3 mills more in different ways. Suppose our farmers were charged with every potato we raise and every turnip we get out of the garden, and every berry we get off of the bushes, and every grain of buckwheat we raise, and were compelled to account for it the same as the railroads, where would we be? They are not here to explain, but those are the facts. There are corporations in Pennsylvania that have

never paid a dividend, not a cent. If a farmer buys a farm for \$10,000 and gives a mortgage for \$5,000, and the assessor comes around and he asks how much does your farm cost, and you answer \$10,000. The State of Pennsylvania does not get hold of one quarter of the money that is on interest, but if that money was put in such shape that the assessor could get the value of every dollar and put down, the result would be that the state would get four times as much money as they do now. It would be justice to the farmer if the state don't want to tax him unjustly; he only owns half of that farm, and, consequently, he should only pay half of the taxes on it.

Col. B. F. WINGER, of Franklin county. You have before you a very important question, that is, taxation, and more particularly as it affects the farmer because I take it that this agricultural board pays more particular attention to agriculture than any other, yet, as citizens, we must look after the interests of the whole state. The gentleman who preceded me spoke of where the assessment was \$60-an-acre and the land worth \$2,000. I come from a county in which there is no coal lands and they assess the land at \$60-an-acre, and the man who has a farm discovers that he has a great deal of trouble to make six per cent. or even four per cent. He pays on that \$60 an acre farm, four mills for county purposes, then about five mills for school purposes, then he pays two or three mills for road purposes, and I would say that he should pay five or six and have better roads. There is five and four are nine and three are twelve, making twelve mills that the farmer pays on his land assessed at \$60 an acre. The man who invests \$60 in a mortgage he pays just a three-mill tax. He pays upon that acre of land about one and eight-tenths per cent. He just pays one fourth of the taxes that the farmer does who has his money invested in the \$60 acre farm. Why investments in other enterprises should not pay the same proportion of taxes that farms pay, I can't understand. This three-mill tax comes to the state and we get a portion back for school purposes, and still we pay five or six mills for school purposes. I was very much interested in the paper read by Professor Hamilton, and I am satisfied that our system of assessment is bad. We have the old-fashioned system of one assessor annually and three triennially, and the assessors do not assess equally. I should think one way to get at the proper method of taxation in a county would be to wipe out those old-fashioned laws with reference to township assessors, and have the assessments made under the direction of the county commissioners; have three or four in the county and let them assess all the real estate in the county. In that way we would equalize the values of lands in the county. Of course the county commissioners have a remedy; they can cut it down, but they very rarely do, and they can put it up, and yet they do not arrive at a fair equalization in the county. I think that is a very important matter and would be one step in the direction of proper equalization. The farmer is probably no worse off than many others; he is probably as successful as many other men in their business. Probably a large percentage who are engaged in farming hold their own, and there are fewer failures and bankrupts than any other line of business, but the farmer is paying for taxes and loaded with the principal burdens of the government and he has a right to complain. He is compelled to pay a very considerable portion of the national taxes in the shape of indirect tax on what he consumes. As has been stated, the manufacturers were exempt, but the farmer makes up that deficiency and the manufacturers, as a rule, are the most prosperous people



in our state. There are failures, but they are the most prosperous people, and are more so than any other class of people.

Secretary EDGE. I notice that here, as elsewhere, speakers more or less mix up the different classes of real estate in their statements. When it is stated that "real estate bears a tax of 17 mills on the dollar of value," it should be stated that the value alluded to is that at which the property is assessed, and that its real or actual value is not referred to. It should also be stated that all kinds and classes of real estate are included in the estimate. If care is not exercised in these particulars we are likely to mislead our hearers and be indirectly guilty of deception. It may be correct to state that real estate is taxed at the rate of about 17 mills upon its assessed value, but it is manifestly incorrect to state that farms are taxed at this rate. Soon after the opening of the taxation question in our state, I made an attempt to obtain data in relation to the taxation upon farms and also upon other classes of real estate, and I found the average rates to be about as follows: In Chester county borough property was paying a tax rate of 13.13 mills, and farm property one of 8.4 mills, on actual value. In Crawford county, the boroughs were found to be taxed at the rate of 26.2 mills to the dollar of a fifty-five per cent. valuation, and that farms were paying a rate of 18.4 mills on the same basis of valuation.

It is also important, in all discussions relating to tax rates upon real estate, that the system of valuation be also distinctly given. A farmer in Bridgewater township, in Susquehanna county, will truthfully tell you that his farm is taxed at the rate of from 45 to 55 mills on the dollar; unless you know that the basis of assessed value in this county is about one-third of the real value, you may be misled and may form incorrect conclusions. In like manner, when a Crawford county farmer gives you his mill rate of taxation, you should, at the same time, be informed that the assessment of that county is based upon a fifty-five per cent. valuation. When a Pike county real estate owner tells you that he pays taxes at the rate of about 75 mills on the dollar, you will be misled unless you know that their valuation is about one-fourth of the real value.

Why valuations for taxation are based upon these irregular plans, and why they should not all be upon full or actual value, I cannot tell you, but give the data as I have found it. If all real estate was valued at its actual or real value it would involve no increase of taxation; we would pay the same amount of money annually, but the advantage would be that we would better understand tax rates, and there would be less dissatisfaction with them.

In comparing the taxation of real estate with that of personal or corporate property, speakers often err in taking (without so stating) the assessed value of one class, and obtaining the value of the other class from the books of the Auditor General, where stocks are valued at their par value and not at real and actual value in the market. Thus the valuations of corporate property often includes much that has no market value at all, and which has no dividend-producing capacity. This valuation usually includes a class of corporate property of manufacturers which is exempted from taxation by law; if this class of exempt property is taken into account in the valuation of corporate property, we should add \$200,000,000 to the value of real estate, because the official reports show that this amount is entirely exempt from taxation in our state.

Confining ourselves to the taxation of farm property and to the data obtained by the board, we find our returns to indicate the following:

That 1,558 farms situated in 58 counties of the state have, according to our reporters, an actual and real value of \$14,649,553.00, and that they pay an annual tax of \$114,773.42; this would indicate an average tax rate of about 7.84 mills to the dollar of actual value. Our returns appear to show that the rate varies from 6.28 mills in Northampton to 20.32 mills in Cameron, all upon actual or real valuations.

Mr. SEARLE, of Susquehanna. How did you find the taxes in Bridgewater township in our county (Susquehanna) to be divided?

Secretary EDGE. Mr. Jennings, of the township named, reports the valuations and taxes about as follows, and as I quote from memory I may not be strictly correct except as to the total mill rate: County tax, 10 mills; road tax, 10; special road, 5; contingent road, 5; school, 9; and poor, 6; a total of 45 mills on the assessed value, which, as I have before stated, is about one-third of the actual valuation.

But, Mr. President, my object in speaking was to call attention to the importance of completely explaining our statements in relation to the taxation of real estate especially, and, in general, in regard to all kinds of property.

G. HIESTER, Dauphin. I am glad that Secretary Edge has brought this point up; it is the one that struck me of all subjects that I have listened to. I never heard a speaker distinguish between country and city property. I want to say to the farmers of Dauphin county, not to delude ourselves with the idea when these taxes are equalized that we are going to pay any less. We will pay 8 mills on actual value. The farmers of Dauphin county pay 7 mills on the value of real and personal property. Those are facts that I have gotten from searching the records in our commissioners' office. I included two of Col. Young's farms, and one farm adjoining our own which is among the best in the county, and only one farm that the commissioners knew as a poor farm, and have only taken farms that they could give me, as near as possible, actual values on, and I found that the farms are paying 7 mills on actual values.

J. A. GUNDY, of Union. I have been exceedingly interested this entire morning. I should like very much to have the printed matter of Professor Hamilton's paper. I am glad he was able enough to stand up and talk against this collateral inheritance tax. I am not a single man; I have a wife and five children, but I say that this collateral inheritance tax is unjust. When my friends from Dauphin county and Luzerne county state how assessments are made, it shocks us. I saw a gentleman in a party in which the son of Governor Shunk was surveyor. He wanted to buy a farm, and this farm run through the valley, and when we were from the river and railroad about ten or fifteen miles and he could not buy a farm for less than \$100 an acre, he says, I don't see how this is that they ask so much when it is away from the river and railroad. I have a friend up there who has five thousand dollars; would you advise me to advise that friend to come down here and buy a farm of one hundred acres ten or fifteen miles away from the railroad, and pay five thousand dollars in cash, and mortgage the farm for the other five thousand dollars, and pay that off and live and dress in such style in the families and homes of the families holding possession in the government offices of this state and railroad offices?

JAMES G. McSPARREN, Lancaster county. I have been very much pleased with them that I have listened to, although the tenor of one of the essays was not the way I am thinking, but was very well pleased to hear it. There were a few points that I would certainly take excep-



tion to, and that is the idea in this day, when it is an acknowledged fact on every hand, when every one of us are feeling it, it matters not whether we are in debt for our farms or independent of such indebtedness, when we are feeling the depressed condition of our interests and the depreciated values of our farm lands, and it is right and proper for us to stop and think a little and not listen to all the clap-trap of those who are politicians. When we know to-day that farms are deserted, does that mean depreciation? It is not necessary to take a newspaper report for that, but in Vermont they began to count the farms by the dozen when they have a commissioner whose special work is to fill up those gaps and vacancies. In the State of New Hampshire it is almost as bad; in Connecticut it is not quite so bad. In our own state there are actually deserted farms within one hundred miles from Philadelphia. I would just say here the intimation has been thrown out that through the granges lie the great force through which the farmers may be benefited. I would say that the farmers are thinking through the granges, through your farmers' institutes, through your State Board of Agriculture, and it makes no difference whether this legislature gives assistance or not, it is bound to come, and it is just as sure to come as the rising of the sun in the morning succeeds the setting of the sun on the previous evening. You will see that by saving the neat sum of sixty dollars in your taxes you will have eight thousand in forty years. If we are wise, and if history is worth anything at all to us, unquestionably the intelligent farmers of this great state should pause and consider this question, in order to get at the bottom of these facts that have been so liberally and so conclusively brought to our view.

J. H. LANDIS, of Lancaster. I merely wish to say a few words brought about by that which has been alluded to by my friend who preceded me. Fortunate reference has been made to the desertion of farms in this section and more particularly in the New England states. From statistics furnished from very reliable sources to the *Kennebec Journal* about six weeks ago, says, in New England it was estimated that there was there one million more acres of land cultivated than any time before. In a paper by Joseph Griswold, he showed that they had the exact number of farms down to 1,247, and they had it so thoroughly advertised with reference to the few deserted farms in the State of New Hampshire, that the few farms deserted a few years ago were taken up during the past year. We have heard of farms being deserted in the State of Pennsylvania and heard it referred to at farmers' institutes and other places, and in every single case where it was looked up I find they were occupied. It would be interesting to know what farms in our state are deserted. I think such talk is extremely unfortunate; it has a tendency to cause the farmers to think that their position is far more depressed and deplorable than what it really is, and talk of that kind, I fear, has a tendency to create a feeling of discontentment and dissatisfaction among the farming classes.

W. H. BROSIUS, of Lancaster county. The question seems to be whether the farmer would be benefited by equalization of taxes. If we are paying about eight mills on the real basis, and if we take into consideration there is a billion and over a billion of property taxed in the real estate and the lands on which the tracks of the Pennsylvania Railroad Company are built upon, we are out that much which should be taxed, and back of that there is a feeling of unrest and a sense of injustice and wrong with reference to the inequality of taxation, no matter whether it is fifteen or eighteen mills on the dollar. There is

a question of right involved in this question, not what it will do for my farm in Lancaster county, or for my friend in Chester county, but a question of even-handed justice to us all. In regard to a paper read by my friend in reference to making the farmers rebellious, I would say, that I would have every farmer in Pennsylvania to understand he is a citizen of this great commonwealth, and that he, as well as the laborer, the manufacturers and all other people, should feel that he is the commonwealth itself, and it is for him to determine what sort of legislation he is to have, and when you meet here for discussions, remember that you are Pennsylvanians and glory in your citizenship. We come here to discuss this question, not to antagonize the smallest interest or any other interests that is different from ours. Let us discuss the question with fairness, with justice and with equity to all. Let us not allow our prejudices to interfere with anybody else's interest, but deal out the "Golden Rule" to all alike. As a farmer, I would wish to have meted out to others what we would have meted out to us. I claim that there can be no law that can be equitable that don't take those railroad tracks, those irons and ties and tax them, and under the constitution it will be valuable as real estate; tax real estate on our lands, in every township and town wherever it exists; tax every telephone pole and telegraph pole and everything—let it all be taxed, nothing more, nothing less, and we don't intend to ask any favors from any one. Professor Hamilton's paper is based, I have heard, on this subject. To-day we are told that these people must be taken care of, but there is not one man who will buy a share of stock that don't believe that there will be a profit derived from it. There is no man buys a farm that don't expect to derive a profit. I don't ask that all these things shall be taxed more, but equally with those that are now paying more than they should. I want to answer my friend, Mr. Hiester, that it don't belittle the farmers of Pennsylvania for people to speak of us as being rebellious, because we are the power among the citizens of Pennsylvania, and it is for us to say what shall be done.

GEO. HOPWOOD, of Fayette county. To hold up all high farm land and illustrate it by making comparisons between high-priced land and land which is low in price is manifestly unjust. Farm land is not worth more than \$50 an acre, to compare it with land near cities worth \$2,000 an acre is unfair. This question of taxation is an important one, and we ought to consider it from a true and fair standpoint, and we ought to talk it over as we are doing here, and settle upon some plan that we believe to be best. In my own county we pay about fifteen mills on assessed value. We know that corporations do not; they only pay three mills to the state. Fifteen mills would be on the assessed values; probably some of our farmers are assessed at the actual value and probably the entire assessment would be about two-thirds of our value. As triennial assessor I know something about it; of course we farmers don't wish to be understood as paying all the taxes. We know that it bears heavily on houses and lots in the town. We don't want to say that we pay all the taxes as some demagogues would have us believe. We want only what is right and what is fair, and the only way to get it is to work for it.

D. Z. SHOOK, of Franklin. Of all the papers read here this morning, I have felt that I could more fully endorse the tone of Mr. Hiester's paper than any other one. I don't believe in stirring the farmers up or stirring any class up to excite another class. If we look candidly



at this we will find that the farmers have been favored; we consider that we are the people, and if we carry out the ideas advanced by Mr. Brosious, the farmers will get into deep water and have some difficulty. Now, horses, cattle, mules, sheep and hogs, and everything of that kind are now exempt from taxation, but when the new tax bill comes up you will find that other interests of the farmer will also be taxed, and all I have to say is let us look on it carefully.

G. HESTER, of Dauphin. I want to answer a remark of Mr. McSparren and Mr. Brosious: In the first place, I don't wish to be understood as casting a slur on the grange. I consider that they have done a great deal of good to the farmers, but the first gentleman I ever heard broach this subject of unequal taxation was a regular grange lecturer, and that gentleman tried to make me believe that the farmer paid eighty per cent. of the taxes, and I suppose he put it that way to the farmers in his lectures. I don't wish to belittle the farmer, because I consider that he is a very big man. When any speaker undertakes to show the farmer that he is bearing an undue proportion of the expenses of the government, he should not stop there, but if he wants to be true and manly he should tell them what the government is doing at the same time. I claim that the government is doing much more for the farmer in various ways than the farmer is doing for the government in the little tax he pays. I believe when the tax is made equitable he might pay a slightly less tax, but not much, and I think it is wrong to delude the farmer that he ought to pay less. I desire to give them a little of the other side and I am anxious to draw it out of them to-day.

J. A. HERR, of Clinton. I do not want to disparage the business of farming, and I do not want to assume that all our ills are found in the question of tax abuse. It is the only way I have of making a living and I want it to be considered a good business, and I would rather put a rosy hue upon it than a dark one. I don't care how much you encourage the farmer and he only makes two per cent., you can't put a rosy hue on it because the matter of taxation is not a source of all our evil, yet it is the one great evil. What will apply to the farmer of Dauphin county may not at all apply to the farmer of Clinton county, and I will tell you why; because Dauphin county has in it the city of Harrisburg, and the farm lands adjacent to large cities have been given a value not for farm purposes but for building purposes. We want to take the value of farm land assessed out in the country that we make a living out of, for farming. I can give some illustrations of farms in Dauphin county which are assessed upon too great a valuation: I take my friend Young's farms, and if he were induced to make a statement of the receipts of his farms there for the last ten or twelve years, all the buildings and fences built up complete, and I venture to say that he pays a greater per cent. of taxes on that property than any other property which is assessed, and I venture to say that he does not make more than three per cent. We must take facts as we get them; pay attention to your farm and not to both business. It reminds me very much of a soldier and officer in the army: when the officer asked the soldier what he was doing and he replied that he was thinking; the officer said, you have no right to think, you are not paid to think; we are paid to think, we think and you do the work. If we meet to consult the betterment of our condition and find that there is inequality, we must endeavor to have it reconciled, and do what we can to better our condition. Every one will say that railroads running through our county are not taxed more than three mills, and I think we will find that we

are taxed on our farms probably fifteen mills, and that is not the only trouble. There are things that we have done, and it is our own fault, and there are others not taxed who are making a far greater dividend on their investment. I don't want to discourage farmers, and they should not be put in the position of making complaint, but it should be our desire that he be elevated and educated, and be thus fitted for the better performance of his work. As a representative body of farmers of the State of Pennsylvania, I think this is the best subject that we can have for discussion.

W. H. BROSIUS, of Lancaster. I would make this fact broader. We are making this fight for every real estate owner in Pennsylvania. This fight is being made for every widow that owns a little house worth three or four hundred dollars. I never discussed this question, but I have kept to real estate, not farms, but real estate. We are working for the equalization of taxes. It is deluding the farmers and real estate owners to tell them that all these railroad tracks, telephone poles, telegraph poles, pay eight mills and the real estate owners pay thirty mills. Is that just? We are not asking to be exempt; we are not paupers; all we want is fair play.

Col. JAMES YOUNG, of Dauphin. Mr. Heister made reference to how I was taxed. As far as taxes were concerned I have not said anything about it, but I am not the only one that is over taxed. I have one farm in particular that would not bring within ten thousand dollars of the amount it is assessed. Mr. Bumgardner went into the court because he was taxed so heavily and did not win, and he is taxed the same on that farm to-day. I hold that it is not equal nor right, and there is nobody that has as hard a road to travel as the farmer; it is work from the beginning of the year to the end. There are iron works just in as bad a shape as we are. I am in one to-day that drags along as bad as farms and it looks as if one of the biggest manufacturing concerns was in a worse shape than the farmer. What I hold is this, that the farmer, the laborer and all ought to go together and work together for the good of all. Why is the farmer hurt by over-production, why is that in the west? The fact is that they can drop hay down at Middletown as cheap as we can sell it, and the consequence is that I have a large quantity left over. We are one large family and we must try and pull together for our mutual interests. There are wrongs in them all and we will have to pull together in order to prevent any wrongs being committed against us. I won't sit here and let manufacturers be abused without saying something in their behalf; it is true that there are some who have had made large sums of money, but then there are others who have not done so well. I went to the far west many years ago and I found a friend of mine who had been there farming, and noticing that there were manure piles on the premises on which he lived, I asked him why it was that he did not haul this out, and I says what is the trouble, and why don't you haul this manure out—everything seemed to be in a bad condition. I went back about fifteen years afterwards and my friend met me at the depot with a nice pair of horses and a nice wagon, and in riding in the conveyance I found he had a very fine team and I was afraid to ask whether it was his, because I had left him so poor. He was going along and I asked him, and he said it is mine, and the buggy. When we got out four or five miles, we saw some white-washed fences, and I said, "what does this mean?" He said this is mine. We went on and I found that this man was hauling manure four miles from town and hauling wood there. We have to bear with this until we



begin to haul more manure. Ours is one of the biggest states there is in this country and all that is necessary to do is to go together and pull up. I know all about farming; it has been an awful bad pull, especially since hay has gone where it is. I used to sell three or four hundred tons of hay, and I would ask our Lancaster county farmers whether there is not a great thing in tobacco. We will have to go to raising tobacco or something else. We are one family, and I am proud that I am a Pennsylvanian and a part of this great family. A farm is an everlasting good thing in the time of a panic; I was in a bank with General Cameron at the time of a panic in 1857. When this happened Mr. Coleman said, you are broke, but General Cameron says, no, you are not broke, we will lend you all the money you want, and the Middletown bank was gone then but he did not know it. I made up my mind that I would buy a farm; I did have something when the panic came. I was determined to get something so that I would not feel shaky if anything of this kind occurred. I bought the farm and General Cameron says, are you crazy, what did you buy that for? He says, you don't know anything about farming; and he came out about a year after, was much pleased with a barn that I had built and other improvements that I had made. In 1873 when that panic came on, Duffy and Cameron were there and brought the dispatch with reference to it, and I said that I had so many farms and I didn't owe anything. There is not much money in it, but they are a good thing to have in hard times.

### LEGISLATION AND TAXATION.

By Col. FRANK MANTOR, *Conneautville, Crawford county, Pa.*

(An address at Conneautville Institute, March 9, 1891.)

MR. PRESIDENT AND FELLOW CITIZENS: The rapidity with which the agricultural interest is advancing, and being the substrata to a nation's wealth, we approach this subject realizing the necessity of its protection by competent laws. One Juvilanus, a minister of grace and justice, and a member of the council of state, wrote as early as 1800 as follows:

It is not the art of cultivating the ground, nor the science to which that art must be indebted for its perfection, but it is the relation which subsists between agriculture and the laws, the inseparable connection between good husbandry and good legislation.

This truth becomes more apparent every year as the farming interests are blending with every other branch of industry. Its progress is most rapid when we compare the number of farms and average of tilled land at the end of each decade. We can readily see the change.

All branches of business are provided with the apparent necessary laws to protect themselves. The corporations of the state first sought to throw around themselves all needful rules and regulations, avoiding as far as they could any great material restriction; or, to put the matter more plainly, to assume all power and restrict only such matters as were liable to hold them in check. Therefore, we find corporate bodies

appealing to the legislative branch of the government for extra legislation. The farming interest fails in this particular, because they do not combine as capitalists do to carry their point. If they did, and would make such combinations more general, we would see a different state of affairs altogether. The times indicate that the farming interests are better guarded than at any former period in the history of the state. The money donated by the state in aid of farmers clubs is a great help in the direction of calling out public sentiment, and it is in such clubs where different subjects are discussed and talked over that the farmer becomes most thoroughly introduced to his calling. You know more to day than you did yesterday, and when you bring practical knowledge to bear on your calling you will then reap your reward.

Why this effort, without some better hope of reward or protection on the part of the state? I notice that a general movement is being made in the States of Illinois, Nebraska, Kansas, Iowa, etc. The farmers of those states are organizing very fast; they are erecting elevators and are opening up cooperation stores. There are 100,000 members of the farmers mutual benefit associations in forty counties in the State of Illinois, and lodges are being organized at the rate of one hundred per week.

They have working organizations in twenty different states and will soon become the most powerful agricultural society in the world. The grange is said to be non-partisan and eschew party politics, but I am inclined to think they act on the scripture injunction, "That he that provideth not for his own household is worse than an infidel and denies the faith."

The legislature of Pennsylvania has, as a general rule, had more of all professions in it than farmers. The legal profession has always been largely represented, and while I have the most profound respect for such a calling, yet when I read some enactments I am reminded of that laconic song denoted "The lawyer's half bushel with hole in the bottom."

Every farmer has an equal interest in all laws that tend to the well being and good order of society, yet he is most particularly interested in any and every law that in any way goes to advance his personal interest. It is a truism that individual interest always fortifies and barricades the foreground of every calling in human life. It is a sort of honorable selfishness, yet it may in the end prove oppressive to some. "This is a government of the people, and for the people, and by the people," and it is the duty of the citizens to see to it that no law shall be enacted that will become a trespasser on individual rights. A thorough unity of sentiment should exist between all the people of a state, and an effort put forth to enlighten their brethren in support of government.

As soon as society was organized it became apparent that other than the mere fact of social order must be protected, the general welfare of the public must be provided for. No summary proceeding would answer the ends of a civil government by which revenues could be raised and dispensed, and by a thorough civil compact, every species of property should be compelled to bear its proportion or burthen of taxation, because of its having, under the laws, a common protection. To equalize such burthens and place all classes of property on an equal footing, it was the part of great wisdom of those who were called to revise the constitution of this commonwealth to insert a section which reads as follows:



## ARTICLE 9.

SECTION 1. All taxes shall be uniform upon the same classes of subjects within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws, but the general assembly may by general law exempt from taxation public property used for public purposes, actual places of religious worship, burial grounds not used or held for private or corporate profits, and institutions of purely public charity.

SECTION 2. All laws exempting property from taxation other than the property above mentioned shall be void.

SECTION 3. The power to tax corporate property shall not be surrendered or suspended by any contract or grant to which the state shall be a party.

Such is the exact language of our constitution, and you will observe that the sections under the article have been drawn with great precision. The change from a system of taxation, and the raising of revenues, as was practiced under the old constitution, is very great, for under it there was no positive declaration or restriction in the constitution, and every form of taxation and exemption was regulated by laws; but under the article which I here quote, you will see the legislature possesses nearly an unlimited power, yet guarded by constitutional restriction.

Now, it is not my purpose to assail corporations, for in doing so I find that among some of the very largest—some who obtained charter privileges in their outset, getting privileges that would be impossible to get to day—fall back on their charter rights and apparently defy legislation. This independence on their part can be maintained so long as they avoid asking any extra privileges. As a proof of this, I refer you to article XVII of the constitution. In section 10 it reads:

SECTION 10. No railroads, canal or other transportation company, in existence at the time of the adoption of this article, shall have the benefit of any future legislation by general or special laws, except on condition of complete acceptance of all provisions of this article.

I will here name two of the largest corporations in this state that were so thoroughly secure by having all the rights and privileges, that they have never asked any assistance at the hand of the legislature. The railroads I refer to are the Pennsylvania Central and the Reading railroads. Those roads had for long, long years knocked at the doors of our legislature and any and every demand was granted, until their corporate reservoirs were filled to overflowing. The new constitution of 1863 placed a check on further demands, and to the present they have never accepted article XVII, and therefore have no right to ask for any legislation.

We grant you, the legislature has no power to make any change in the charters of the railroad companies that were passed prior to the adoption of the constitutional amendment some thirty years ago. The right to make their own charges for tolls and transportation is a contract between the state and the railroad companies, which the legislature has no power to break; and while the railroad companies possess all this privilege and power, even under these sacred charters the companies have no legal right to discriminate unjustly to the injury of one shipper for the benefit of another. To substantiate this assertion I quote from Article XVII:

SECTION 3. All individual associations and corporations shall have equal rights to have persons and property transported over railroads and canals;

and no undue or unreasonable discrimination shall be made in charges for, or in facilities for, transportation of freight or passengers within the state, or coming from or going to another state. Persons and property transported over any railroad shall be delivered at any station at charges not exceeding the charges for transportation of persons and property of the same class in the same direction to any distant station, etc.

Now, with this section of the fundamental law of this commonwealth staring these corporations in the face, the two greatest interests of the state, that of coal and oil, have been used to the end of injuring the state in its lawful wealth to the amount of millions of dollars.

I have not the time to lay before you an array of figures which I have at my command, and to which I could call your attention; and it is not the unjust discrimination alone on the two great products I have named, but it enters into every commodity which you eat, drink or wear, into every product of your farms or shops—in fact, turn your face in whatever direction you may, and you will witness the mailed hand of corporate power ready to strike down any opposition to stay this destructive injury to the general prosperity and the wealth of the state.

Our legislature should see that some law be enacted to the end of remedying this great wrong. When this is done the farming interest of Pennsylvania will not find fault with the tax gatherer, for his burden in that direction will be materially lessened, and his right to enter the market with his products not loaded with discriminate tax, and sell his commodities with equal and exact rights and privileges with others.

The city of Pittsburgh—a city which should be the pride of every Pennsylvanian for its commercial and manufacturing wealth, and the indomitable iron will of her business men to overcome all obstacles—has been made to suffer the wrongs arising out of the abominable practice of undue discrimination. No city has been made to suffer half so much. The transportation companies taking in freight at Minneapolis, St. Paul and Chicago, will land the same class of freight in Philadelphia and New York nearly as cheap as that landed in Pittsburgh—freight passing over the same roads, on same train and, perhaps, unloaded from the same cars. If we had the time we could show you, by the figures, the difference there is, and how it especially builds up the great west and other sections at the expense of our own commonwealth.

Wherever we find large industries building up, and are made dependent on transportation companies, especially where there can be but little opposition, such a company looks on in grim complacency, like the vulture on the dying deer, waiting to feast upon the carcass. If great industries are to be injured by undue discrimination, such as shadows the city of Pittsburgh and other western towns in our state, I agree with the Hon. Andrew Carnegie in the sentiment he advanced in his great speech before the members of the Pennsylvania legislature in April some two years since. Mr. Carnegie said:

It is a matter for deep regret that the canal which formerly connected Lake Erie with the Ohio river at Beaver has been abandoned, and its bed utilized for a railroad. Of all the works that could most advance the interest of the western portion of the state I know of nothing involving so little expenditure which would be so beneficial as a ship canal between the lakes and the Ohio river. Ships could then unload their iron ores from the Lake Superior region at the furnaces in Pittsburgh, and be loaded in return with coal and manufactured articles for the lake ports and the great northeast, which is so rapidly being filled with an enterprising population.



Instead of the day of canals and water transportation being over, it is probable that a return to these early methods of transportation will soon take place, and the river system which brings Pennsylvania into connection with the great Mississippi basin, and a canal from Beaver, which would bring her into connection with the lakes, are to receive more and more and attention. With these improvements made in the water-ways named, and fair railway rates secured by honorable legislation, there seems to be nothing to prevent the continued prosperity, and even continued supremacy, of western Pennsylvania in many important branches of industry.

Following those suggestions made by Mr. Carnegie, the legislature passed a bill forming a commission and making an appropriation of ten thousand dollars to defray the expenses of a survey for a ship canal between the lakes and the river. This commission was appointed and proceeded to investigate the most feasible route from Pittsburgh to Lake Erie. They have reported their observations to the legislature, and, while the report is very voluminous, shows conclusively that it was drawn nearly or quite to a mathematical certainty, that such a duct or water-way can be made feasible for transportation of craft with a carrying measurement from 1,000 to 1,500 tons. The estimated cost of this canal is thirty millions of dollars. Passing over the summit near Conneaut Lake, thence along the Conneaut creek valley by the way of the old canal to the harbor at Erie. The other route by the way of the West Shenango, entering the State of Ohio some two or three miles south of Pennline, and keeping the lower edge of the western watershed and terminating at Conneaut harbor. This is the shortest and least expensive route, costing some four millions of dollars less than the Erie terminus.

We have already pointed out to you the advantage of such a water-way, and while we have much faith that in time the work will be accomplished, yet we are not unmindful of the powerful opposition that will array itself against the project, in the way of the several railways that are engaged in carrying freight between the lake and Pittsburgh. This project, when carried into effect under the unalterable law in competition, would lessen the expense in the transporting of freights and would more generally distribute the money into the hands of the general industries.

Any system or corporation that tends to destroy any portion of the industry of this commonwealth, to build up private or corporate industries, commits a grievous wrong against the state or any individual thereof. I am grieved when I witness that undue discrimination has been exercised against a living and active capital; capital has been driven from our state and taken up its abode in another state. In Maryland, at Sparrow Point, a plant has been established for the manufacture of steel and when in active operation will employ more than 6,000 men to conduct its business, so it has become evident that it is not merely one section of the state that has felt this significant power, but other parts of the commonwealth are inoculated with this same deadening virus. The people throughout Pennsylvania were at one time brought to believe that a competing line of railroad, known as the South Penn railroad, would open up a competing thoroughfare from Philadelphia to Pittsburgh, and thereby remedy many of the wrongs in transportation over and through our state. But the masterpiece or governing forces saw by this course that injury would be done, and by the use of large money on the one hand, and intimidation on

the other, has caused such railroad to abandon its work and leave no doubt in any reasonable mind that the project is sunk out of sight and forever. We could, if we had the time, point out scores of evil resulting from this unusual taxation or discrimination on the part of certain railroads in this state. It is to the interest of our farmers, mechanics, artisans and all others to bring markets to their doors as near as possible. Therefore, every industry that is built up will meet their requirements. And every industry, however large or small, that is driven from the state lowers the commercial thermometer and robs the people of what they should be entitled to. We could point out to you, if we had the time, where certain industries in agriculture have been abandoned, and where the value of landed estates kept pace in value with other important enterprises, but if reports be true, such farms have depreciated in value.

Now, turning aside from this part of our subject, we desire to speak of some of the evils in unequal taxation of taxes, and offer some suggestion as a remedy against such evils. I have already quoted in your hearing that section in the constitution that places large power in the hands of the legislature to tax properties where disposed. Much perplexity has grown out of this question. The assessment of property, whenever made, always calls forth comment from those who have property to assess. I have sometimes thought it would be a refreshing luxury to find even one man who would be resigned to the values placed on his property. Several attempts have been made to correct this evil. Commissions have been raised by the legislature, sanctioned by the executive of the state. These commissioners went forth to duty, and after much labor a plan was agreed upon by them, and, in due time, their report was presented to the legislature. That august body of "Solons" paid but little or no attention to the report, and it soon found itself taking a long sleep—a sleep from which there was no awakening.

Pennsylvanians are a slow people to make changes in their purposes and their laws. It is painful to realize that to-day some important provisions in the revised constitution, provisions bearing directly on the protection of personal rights, provisions that would, if properly legislated on, have closed the clamor and quieted the pent up distrust and discontent among our people. But from some unexplained reason those measures were never legislated on, and stand in the organic law the same as when that great law was sanctioned by the magnificent majority of one hundred and forty-four thousand.

Our constitution has failed to be called into active operation because of the sore neglect on the part of those who are called to represent us. Such failures are by no means creditable to their intelligence, and smacks of cowardice on the one hand, or bribery on the other (to this rule there may be an occasional exception).

I admire the stand taken by His Excellency Governor Pattison, in his inaugural address; it is the expression of one who is sworn to enforce the constitution and the laws, he said:

"The present executive will strive to zealously to maintain the constitution and the laws. Our constitution as approved by the people, is in many respects, a model of organic law. It breathes the essential spirit of popular government through all its members. By it the general welfare is sought to be promoted. In it there is no hostility to any interest, individual or corporate. It was drafted by a convention controlled by as noble and choice characters as ever adorned our state. Many of its important provisions are, however, unenforced, notably



article XVII. That article commands nothing but what is right and forbids nothing but what is wrong. It simply provides that corporations shall treat all persons fairly, impartially and justly. It prohibits unfair discrimination against persons or places. It forbids extortion. It seeks to prevent monopolies and to compel the creatures of the law, who owe their life to the people, to be law obedient. It commands that they shall not use their granted powers to harass and oppress. It also specifically directs the legislature to enforce its provisions by appropriate legislation. Surely an earnest effort should be made to give adequate effect to so wise and just a part of the fundamental law. Every power of the executive shall be exercised to enforce the constitution of the state in every article and section."

I assert, and without fear of any reasonable refutation, that our laws to levy and collect our taxes are inferior to almost any other state north of Mason & Dixon's line. Our sister State of Ohio has most positive laws on this subject—laws most creditable to the intelligence of her people—and for the want of better laws it might be well for us to copy after them. Under the Revised Statute, section 2731, of the Ohio system of tax laws, occurs the following:

All property, whether real or personal, in this state, and whether belonging to individuals or corporations, and all money, credits, investments in bonds, stocks or otherwise, of persons residing in this state shall be the subject of taxation.

Ohio exempts the same class of property in her constitution that we do, but her law-making power makes a clean levy on every species of property in the state, and prescribes how such property shall be listed and collected and sworn to as a correct statement of the effects.

Section 2746 reads, Personal property of every description, moneys and credits, investments in bonds, stocks, joint-stock companies or otherwise shall be *listed* in the name of the person who is owner thereof.

Again, we find under section 2747:

The listing of all personal property, moneys, credits, investments in bonds, stocks, joint-stock companies or otherwise shall be made between the second Monday of April and the third Monday of May, annually, and the assessor shall, on or before the first Monday of May annually, leave with each person resident in his township or ward, of full age and not a married woman or insane person, or at the office, usual place of residence or business of each person, a written or printed notice requiring such person to make out for the assessor a statement of property which by law he is required to *list*.

And section 2748 reads:

Every such statement shall be verified by the oath of the person making the same.

You will see that under the foregoing sections all property subject to assessment must be listed and sworn to.

Another very important matter I will refer to here, and may refer to hereafter. That is the law governing railroad companies.

Section 2770: The county auditors of the several counties in this state in which any railroad company now has or hereafter may have its track

and roadway, or any part thereof, shall constitute a board of appraisers and assessors for such railroad company or any part thereof in one county; only the auditor of such county shall constitute such board.

You see this places all railroads under like restrictions as all other property. Other states have enacted more stringent laws than Ohio on the question of railroads. The State of Illinois, a state famous for her many railroads, defines all the property of railroads in the right of way, side tracks, turnouts, stations to be real estate, and requires that all such property shall be listed and taxed in the several counties, towns, villages and districts—that all station houses, depots, machine shops and other buildings belonging to the road shall be taxed in the county, town, village, district or city in which the same are located.

We will also quote to you from the statutes of New York, which read "that all lands within the state, whether owned by individuals or corporations, shall be liable to taxation." This makes all railroad beds, ties and rails, and other fixtures attached thereto as much the property of real estate as the house, barn, out-buildings, fences, etc., are a part of the real estate of the farm.

We have in the State of Pennsylvania, as is shown by the report of the Secretary of Internal Affairs, 10,820 miles of railroad, which cost \$1,068,035,566.47. What a vast amount of money is wrapped up in the railroads in this state, and what an insignificant return is had, as compared with other property, which is paying for all the incidental expenses and for the running of municipal or state government!

Allow me to bring a question home to your own door. We have here, in Crawford county, the Pittsburgh and Erie railroad, which passes over the county a distance of twenty-five miles; we have the New York, Pennsylvania and Ohio railroad passing diagonally across the county some twenty-seven miles; we have the Titusville and Corry railroad of about twenty miles; then we have the Titusville and Union railroad about nineteen miles; the Meadville and Linesville railroad twenty-two miles; we have the Meadville and Franklin Branch of the North Penn and Ohio railroad about fourteen miles, making 137 miles of railroad. Now while those roads offer great facilities for the transportation of persons and property, I am unable to understand why they should not bear their share and burthen of taxation.

I am not informed, nor have I any data at hand from which to calculate the cost of these roads, but, making a rough estimation, will say from one to two millions of dollars. Now if this property were taxed in the same proportion as the other property of this county, it would give a sufficient revenue to ease the tax on all other property in your county. If you will take the trouble to examine the annual report of the Secretary of Internal Affairs of 1889, you will find the insignificant sum of \$1,845.54 under the heading of amount of taxes collected on the real estate of railroad corporations in Crawford county.

It is not our intention to go into general details over the finances of the railroads in the state. We would, if we had the time, show the injustice done to every real estate property holder, by admitting railroads and other corporations of the state to bear so small a percentage of the burden of taxes; and we would appeal to the better judgment of all the people of the state to see to it that some law shall be enacted to meet out the ends of equitable justice.

I am by no means an opposer of railroads or corporations, by which large wealth is amassed for carrying forward great enterprises. Rail-



roads and corporations belong to the enterprises of this age, and large wealth is essentially necessary to the completion of railroads and steamboat lines, and even the building of towns and cities. What I desire to see is an equalization of taxes, so that each class of property shall bear its full burden of expenses to carry on the affairs of government. Any other system, under the laws of this state, creates in the body politic a festering cancer that will, if not cured by some timely appliance of wholesome legislation, carry with it premature decay to other important interests.

I referred to the question of discrimination by the railroads of the state, and I will not enlarge on it further at this time.

Now, having thus briefly referred to the laws and some facts, I must turn my attention to another and equally important subject, and that is to refer in a more general way to the assessment of properties from which we raise revenues in the state: and I will, I think, be able to show you that corporations are not alone to blame for this unequal taxation.

We will here give you a summary of facts and figures furnished by the Auditor General of the state, they are as follows:

Corporate capital, excluding banks, manufacturing companies and building and loan associations, .....	\$650,000,000
Value of mortgages, judgments, bonds and moneys at interest, .....	575,000,000
Value of stocks of manufacturing corporations not subject to taxation, .....	150,000,000
Value of stocks of building and loan associations not subject to taxation, .....	75,000,000
Salaries and occupations, .....	85,737,872
Assessed value of horses and cattle, .....	42,181,342
Value of live stock not subject to taxation, .....	72,500,000
Total value of personal property, .....	<u>\$1,650,419,214</u>

It is a conceded fact that this large amount of \$1,650,419,214 of corporate and personal property is paying less than \$6,000,000 in taxes, while the total amount of taxes of all kinds paid upon real estate is \$34,000,000, or about 14.8 mills on actual or "real value."

We think it might prove interesting and instructive as well to note some species of personal property that belong directly to the farming classes very largely, and to place the nominal average value to each and the amount such value will produce.

We will commence by saying

606,931 horses, average value \$93.87, amount in value, .....	\$56,972,613
24,021 mules, average value \$104.18, amount in value, .....	2,502,508
938,665 cows, average value \$28.06, amount in value, .....	26,338,940
852,267 all other cattle, including oxen, average value \$23.67, amount in value, .....	20,173,160
945,002 sheep, average value \$3.36, amount in value, .....	3,175,207
1,193,415 hogs, average value \$7.22, amount in value, .....	8,618,456
Total amount, .....	<u>\$117,780,884</u>

Of this amount, as I have just noted, \$42,181,342 is taxed, and \$76,680,859 is not taxed. Can any one give any reasonable argument why this large amount of personal and corporate property should not bear its proportional share of the taxes of the state? Surely it is all protected under the laws. Courts of justice are open to punish any offender who

may trespass on the rights of another by appropriating such property for his own use, and yet not one farthing of revenue is given back in return for such protection.

Now let us present another question for your consideration. We have in this state 217,000 farms. We can justly compute the personal property on those farms to average not less than \$1,000 each. In this invoice are all household goods, including pianos, organs, etc., and all agricultural implements, such as mowers, reapers, plows and harrows, and all carriages, wagons, carts, sleighs and farming mills. This would give \$217,000,000. And stepping from the farm into the cities, villages and small towns over the state, and taking in like property, you will have a sum of money that will run into thousands of millions of dollars. Yet you complain of high taxes or unequal taxation—and you have a right to do so; but you should see that proper legislation is had to the end that justice shall be equally meted out to all concerned.

I have referred you to the value of stocks of manufacturing corporations not subject to taxation, amounting to \$150,000,000. I will here refer you to the law which shields such property. It reads "A further supplement to an act to provide revenues by taxation." This law was passed and approved the 7th of June, 1885, (see P. L. p. 193), but the greed of the corporations was not satisfied and this law was reenacted and approved the 1st day of June, 1889. You will find in the twenty-first section of the act and closing paragraph of said section the following:

*And provided further,* That the provisions of this section shall not apply to the taxation of capital stock of corporations, limited partnerships and joint-stock associations organized exclusively for manufacturing purposes, and actually carrying on manufacturing within this state, excepting companies engaged in brewing or distilling of spirits, of malt liquors and such as engage and exercise the right of eminent domain (P. L. 1889, p. 431. etc).

The amount herein specified is put down at \$150,000,000. I am fully satisfied in my own mind that if a correct inventory could be had it would reach nearly or quite \$200,000,000.

The same law exempts all building and loan associations to the amount of \$75,000,000. Who can give any valid reason why this amount of money should be exempt? Building and loan associations are institutions not wholly made up of men who desire to get for themselves a home, but shares are taken for the investment, out of which they can make large interest.

It is very evident that there is an apparent discrepancy in the mode and manner of levying taxes in some of the counties in the state. Some sections which levy a large mill tax make their assessed valuation of one-half or two-thirds of the real value, while others which make a levy of less mills, base the rate of levy upon nearly or quite the full value.

I will present to you the following list of counties, the rate of which is given in mills upon the actual value of the farms, as obtained from the county commissioners and other equally reliable sources. It is the result of statistics gathered by Hon. Thomas J. Edge, Secretary of the State Board of Agriculture, and is intended to show the rate of taxation on the actual value of farms in each county named, and I ask your indulgence while I note them. They are as follows.:



Northampton,	6.28	mills.
Lehigh,	6.42	"
Montour,	6.77	"
Lancaster,	6.78	"
York,	6.83	"
Dauphin,	6.99	"
Cumberland,	7.04	"
Adams,	7.05	"
Union,	7.18	"
Centre,	7.05	"
Bucks,	7.40	"
Beaver,	7.47	"
Columbia,	7.69	"
Montgomery,	7.80	"
Wyoming,	7.84	"
Mercer,	7.98	"
Armstrong,	8.00	"
Northumberland,	8.04	"
Berks,	8.06	"
Westmoreland,	8.08	"
Snyder,	8.09	"
Schuylkill,	8.16	"
Perry,	8.47	"
Chester,	8.54	"
Washington,	8.94	"
Pike,	9.00	"
Lycoming,	9.10	"
Franklin,	9.19	"
Crawford,	9.20	"
Delaware,	9.32	"
Erie,	9.57	"
Somerset,	9.35	"
Bradford,	9.88	"
Blair,	10.08	"
Lackawanna,	10.08	"
Jefferson,	10.13	"
Clarion,	10.26	"
Sullivan,	10.70	"
Lawrence,	11.05	"
Juniata,	11.27	"
Clearfield,	11.40	"
Tioga,	11.87	"
Fulton,	12.08	"
Carbon,	12.24	"
Elk,	13.40	"
Clinton,	13.81	"
Indiana,	14.66	"
Forest,	14.64	"
Huntingdon,	14.70	"
Fayette,	15.00	"
Venango,	17.20	"
Warren,	17.70	"
Wayne,	19.00	"
Susquehanna,	19.12	"
Cameron,	20.32	"

These returns include 1,558 farms situated in 59 counties of the state, and many of them are actual sales within the past 18 months; their total value is \$14,649,553.00, and the total amount of taxes paid on them is \$114,773.42; this indicates a tax rate of 7.84 mills upon their actual value.

The total amount of tax above stated includes the tax paid upon the personal property taxed on the same duplicate with the farm. This we find, taking the average of the state, is about ten per cent. of the value of the farm. It therefore follows that the amount of money upon

which the above tax is levied is ten per cent. more than the amount stated; or, in other words, the total tax of \$114,773.42 is levied and paid upon property valued at \$16,114,508.00. This will make a tax rate of 7.01 mills on the actual value of the property assessed.

To obtain the average mill rate of a county, the values of all the farms returned are added together, and the taxes paid on them are also added together. The total amount of taxes, when divided by the total value of the farms, gives us the average mill rate of the county when our returns are taken as the basis. In like manner the total of all taxes paid in the state, when divided by the total value of the farms, will give us the average mill rate of tax to the dollar of actual or real value.

There were two bills introduced in the legislature at its last session, namely: House Bill No. 10, or the Grange Bill, and House Bill No. 19, introduced by Mr. Shepley. At the time of the introduction of these two bills I examined their provisions very closely, and found much in each of them to approve and much to disapprove, and while I will not stop at this late hour to enter my criticism—because both bills failed to pass—I think had either passed His Excellency the Governor, would have disapproved it on constitutional grounds.

A commission was appointed in the last legislature to draft a bill to be presented to the next legislature to revise the tax laws. This commission is composed of some of the best men in the state.

After much hard labor and search through the tax laws of many of the states, they prepared a voluminous report that was signed by a majority of the commission. At the same time three minority reports were also published. On January 22 a bill was presented in the House of Representatives at Harrisburg setting forth the mode and manner for assessing property and classifying the property to be assessed. I will here note, briefly, some of the important features of this bill: First, all real estate of every kind or description. The following property, such as horses, cattle over the age of three years, sheep and swine over the age of one year, are to be listed and taxed. You will notice that in the assessment of this property, heretofore, horses and cattle were taxed after they were four years old, and the reduction of the years will give a large margin from which to collect taxes, and that of taxing sheep and swine will swell the list and add to the revenues of the state hundreds of thousands of dollars.

It will prove quite too irksome a task to go into every minutiae of this bill, and I must content myself in presenting so much of the property that is to be listed and classified as I find under section 5, which points out the duty of the assessor in his interrogatories. Section 5 reads as follows:

"SECTION 5. The assessor of each ward, township and borough of this commonwealth shall make special inquiry of each 'taxable person,' and require a full and complete answer from each 'taxable person' or his representative agent or attorney to the following interrogatories:

*First.* The number of horses, mules and asses over three years old owned or held by him or her.

*Second.* The number of neat cattle over three years old owned or held by him or her.

*Third.* The number of sheep and swine over one year old owned or held by him or her.

*Fourth.* The number of omnibuses, hacks and pleasure carriages owned or held by him or her.



*Fifth.* The number of all kinds of musical instruments owned or held by him or her.

*Sixth.* All boats or water craft owned or held in trust by him or her wherever registered and whether at home or abroad.

*Seventh.* All moneys and credits owned or held in trust by him or her.

*Eighth.* All goods, wares and merchandise owned or held by him or her bought or consigned with a view to selling the same at a profit.

*Ninth.* All material owned or held in trust at the time of listing property for taxation with a view to being used in whole or in part in any process of manufacturing, refining, rectifying, brewing, distilling, pressing or combining.

*Tenth.* All products of mines, quarries, oil wells, salt wells and natural gas wells owned or held in trust at the time of listing.

*Eleventh.* All machinery not taxed as real estate owned or held by him or her.

*Twelfth.* All tools and implements owned or held by him or her.

*Thirteenth.* All other 'tangible personal property' owned or held by him or her not exempted from taxation by this act.

*Fourteenth.* The annual income derived from trades, professions, occupations and investments of money or capital.

The assessor shall fix the value of the property of each "taxable person" in conformity with the provisions of section three (3) of this act, but when the value of "tangible personal property" in the ownership of each "taxable person and made taxable for local purposes" by this act shall not exceed three hundred dollars (\$300) no tax shall be assessed thereon. The assessor shall enter each answer of each taxable on blanks which shall be furnished to him by the board of revision of taxes or county commissioners, which blanks shall be returned to the office of the county commissioners or board of revision of taxes and arranged in order convenient for reference and preserved. The county commissioners or board of revision of taxes shall cause to be entered on the assessment books the aggregate value of each class of property as follows: "tangible personal property" on one line, "moneys and credits" on another line and "incomes" on another line and a like entry on all certified copies of adjusted valuations required by law shall be deemed sufficient.

It is very evident that on a question of so much moment and one in which every one is more or less interested, no matter what law may be enacted and approved, much dissatisfaction will exist, but I am disposed to think that in time we will arrive at a just law that will make every species of property bear its equal burden of the expenses of the government. At the same time our lawmakers cannot proceed with too much caution, for too much legislation is hurtful, and if it is attempted to pass that which proves oppressive to class, the lawmakers will find themselves in a vast labyrinth that has no ending, and it will bring on a conflict that will hamper business and business interests and destroy business forces. If you cannot get all you desire, take that which will best satisfy you for the time being, and await an opportunity for some other enactments which will meet out the desired end.

The question of taxation is by no means a new one, and to relieve the burden the legislature in 1866 took the tax off real estate for state purposes, and in 1873 took the tax off horses and cattle for state purposes; and so, you see, a step was made to relieve the farmer and taxpayer generally. But so long as the farming elements are demanding

that certain species of property which they hold, such as horses, cattle, sheep and swine under three years old, and all other articles like farming utensils, etc., shall be exempt from taxation, they cannot take exception if railroad and other corporations of the state select certain classes of their property and demand that they shall be exempt. But suppose some one would suggest that old axiom "that the law would rather tolerate a private wrong than a public evil," I would repeat to all such persons that scriptural injunction "that in order to remove the mote from our brother's eye so that he may see clearly, we must first pluck the beam from our own."

This is a mighty conflict, but is within the reach of amicable adjustment, and should be made without compromise. Labor should not war with labor. Capital should not war with labor, for they are inseparably connected. One cannot live and prosper without the other. All branches of business become a sort of compound partnership, and if any of the partners prove false to the rest, and seeks, through selfish avarice, to extort from this coöperation, such partnership will fail in its attempt to accomplish great good.

The aggregate amount of accumulated wealth in the world arises chiefly from the savings of small gains and profits derived from real industry. It is true that large wealth is sometimes had through sheer accident—a wealth which, it is said, is hard to keep. There is always a conflict between political organizations, but they have, as a general rule, in this country, settled many serious problems—problems that at times threatened the dismembering of the government. Institutions that fostered wrong, and every foot-fall that boded evil against honest toil have had to step down and out. Now, in the establishment of farmers' alliances, knights of labor, the grange and mechanical protection unions there should be used that care which will keep them in harmony with every other class of persons; for the farmer cannot live and prosper without coöperation with the mechanic—neither can prosper without the aid of other associations and callings.

It is held by some well-informed persons who have studied this tax system of assessment by listing all property, that you could not make a law that would not be more or less evaded; that property would be kept back, not returned. It is very true that laws do not make men honest. Murder, theft, arson and piracy have been and always will be committed, yet it is due to society that laws shall be enacted to the end that justice may be meted out to the offender.

In House Bill No. 10, known as the Grange Bill, I find the following, after enumerating property which is required to be returned to the assessor:

And any and every obligation or evidence of debt that shall not be entered in the assessor's books shall, while so withheld from assessment, be uncollectible by any suit, process or proceeding whatsoever, and all the interest thereon shall be forfeited during such time.

A law of this character would be of non-effect—worthless, and, we might add, unconstitutional. The right to contract is among the sacred privileges guaranteed to the citizen, and "no *ex post facto* law or a law to impair contracts" can be made under our sacred bill of rights.

You then ask, how would you proceed if property was discovered on which assessment was not made? I start out with the presumption that all property shall be subject to taxation, and it would matter not



in whose hands such property might be found, whether in a first, second or third person, the claim of the state would hold good, and you would proceed against such property for the tax—hold the party who failed to return the same as a conspirator to defraud the state.

I will here give you my views or a shadowy outline of a law, the mode and manner of listing, assessing, collecting and disbursing the taxes of the state.

In order to obtain a revenue for the state, a valuation is placed by state officers upon every form of property having value. This valuation is returned to the Auditor General, and upon it the Auditor General, having made an estimate of the total amount necessary for state purposes in a given time, notifies the county commissioners of each county what their *pro rata* share of the total amount is. As, for instance, Crawford county. We will say at a certain rate of valuation their *pro rata* share of the revenue needed by the state is one or two hundred thousand dollars. Now the Auditor General does not make a direct levy of tax, but he notifies the county commissioners of Crawford county that that county must raise, for the benefit of the state, for a given year, one or two hundred thousand dollars. The county commissioners of Crawford county in turn make an estimate on this same valuation, placed upon every conceivable description of taxable property, of the amount required for county purposes, of the amount required for state purposes, for school purposes, for road purposes, for poor purposes and for municipal purposes. Then the commissioners collect all that tax, levying just one rate; that is, the number of mills total that will be required to cover all that ground. Then the amount is distributed to the different authorities, as the school, road, poor, municipal, etc., according to the estimate they have submitted of their needs to the county commissioners.

You see, in this way, you have a central, single board that collects all taxes; there is no division of responsibility; a man knows when he goes and pays the county commissioners ten, twenty or thirty mills, or whatever the amount is, that that is all the tax he will have to pay for any purpose whatever, and that he is done.

Besides this, when an estimate is made to the county commissioners for the amount that will be required for these several objects, publicity is given to the matter, an opportunity is had for public discussion and the transaction is more open for inspection. Then, too, you are not annoyed with a system requiring a number of tax collectors; one tax collector does the whole business.

This system of taxation contemplates the taxing of land, of coal, of oil and any and every form of personal property that has a value—anything that has a market value. You see that is equitable. This system would lighten the burden of taxation because Crawford county would tax every inch of railroad property that is in it, which they now do not tax at all. It would tax all the telegraph and telephone wires that run through that county. That would make railroads and telegraph and telephone lines bear their proportion, not only of state taxes, but of county and municipal taxes as well.

Now, in conclusion, I will take occasion to quote again from Governor Pattison's inaugural; and as it is in perfect harmony with the sentiments I have expressed, I feel it will not only strengthen all I have said, but will aid you to fully comprehend the real necessity of more thorough legislation.

"Of scarcely less importance is the equalization of the burdens of

taxation. For many years there has been a well grounded complaint against the insufficiency, the inequality, the ineffectiveness and the partiality of the tax laws of the state.

"The burdens of the government should be equally shared, or at least as nearly so, as human laws can contrive. Since our legislative policy is to tax property rather than persons, there can be no possible excuse for selecting the houses and farms of the people to bear ten times as much of the public burdens as personal property. If things, and not persons, are to be taxed, common equity would dictate that the aggregate of a man's possessions, irrespective of their kind, and simply according to their value, should bear the infliction. What delinquency has real estate been guilty of that it should be thus unfairly discriminated against? It is the most productive, the most needful and the most stable form of property. It adds most to our wealth, remains always with us, shelters and sustains our people and at once attracts, and, if justly treated, retains and multiplies population. There is a baleful vice in the form of government that inflicts a penalty upon lands and houses, and makes their ownership difficult and burdensome. The farmer and householder has no right to any exemption from his fair share of the public expense, but he has a right to just and impartial treatment that cannot be ignored except at a cost of social tranquility. The inequality referred to is patent to every eye. There is not a citizen in the commonwealth paying a tax upon his home or farm who cannot point to some neighbor owning many times as much in personal goods and idle capital who yet pays an immeasurably less amount of tax. It is useless to answer such undeniable facts by any intricate theory as to the ultimate distribution of all taxation. Such unjust discrimination is working untold evil to our people; is oppressing the poor; is exempting the rich; is, day by day, establishing unfortunate social distinctions that are foreign to our principles of government, destructive of the happiness and energies of men and blasting the hopes that we have all prayerfully entertained of our country becoming the home of a contented and happy people."

Thanking you kindly for the marked attention you have given, I now bid you good night.

## REVENUE AND TAXATION.

(From the Message of Gov. James A. Beaver to the General Assembly, January 6, 1891.)

The question of the manner in which our revenues are to be raised continues to be one of absorbing interest to the people of the commonwealth. A commission appointed under a joint resolution approved the 25th day of May, 1889, has given careful consideration to this subject and prepared a report embracing the views of all its members, showing a wide divergence of opinion as to the principles upon which, and the methods by which, taxes are to be levied and collected. The majority of the commission agreed upon a bill which provides for the levying of county and municipal taxes upon the several kinds of property therein specified, the principal object of which is to bring corporate and personal property within the taxing power of the municipality, with a view to relieving real estate from alleged excessive burdens. The minority of the commission dissent from the views of the majority



as expressed in this bill, and state their views at length in three several minority statements contained in the report. The whole subject of taxation is very ably discussed in this report, and is commended to your careful consideration.

It is to be regretted that this commission has not been able to gather data upon which an intelligent conclusion can be based as to the inequality of the burdens of taxation borne by real and personal property respectively. It seems to be admitted on all hands that there is inequality in greater or less degree, but the extent of that inequality is an uncertain quantity, and there seems to be no reliable means of ascertaining what it is with anything like a definite degree of certainty. Until this difference is definitely ascertained it is impossible to apply a remedy, even if it be conceded that a remedy is needed. The report of the majority leaves the entire question of the collection of state revenues to be governed by the laws which now exist. This is well, inasmuch as our present revenue laws are better understood and are being more satisfactorily enforced than ever before. The revenues raised under them are constantly increasing and it is believed that the provisions of the act of 1st of June, 1889, will yet more largely increase the revenues which will be collected under it. The final settlement in the Supreme Court of the United States of what has been known as the "loans tax cases," has largely increased the revenues for the present year and insures a definite income from this important source.

In view of the revenue which may be reasonably relied upon from this source in the future it seems to me entirely feasible to divert a portion of the revenues now flowing into the state treasury, under the provisions of the act of the first of June, 1889, to the county treasury. I recommend, therefore, that of the state tax upon personal property collected under the sixteenth section of said general revenue act, the one-half part thereof be returned to the several counties of the commonwealth in which the same is collected, instead of the one-third part as provided by the said section. I recommend, also, that the laws relating to licenses for the sale at retail of liquors be so amended as to authorize the entire amount raised from the granting of said licenses to be paid into the treasury of the municipality within which the privileges conferred by the same are to be exercised. I am also of the opinion that if careful discrimination and reasonable economy be exercised in the matter of appropriations to so called charitable institutions, the annual appropriation for common schools may be increased from two millions of dollars to at least two and one-half millions. These changes will provide an additional fund of at least two million dollars annually in relief of local taxation and will do so at once and with a certainty based upon well-settled principles.

In order to replace the amounts thus recommended to be applied in relief of local taxation, I respectfully recommend that the amount of the tax on corporation stock to be paid into the sinking fund under the twenty-eighth section of the general revenue act of June 1, 1889, be reduced from the one-half to the one-fourth part thereof. This amount, it is believed, will be amply sufficient to provide for the interest of our small remaining debt, and the assets in the sinking fund are amply sufficient to provide for the payment of any of the loans of the commonwealth which can, under the provisions thereof, be paid for several years to come. It may be proper for me to state that in these recommendations both the Auditor General and State Treasurer, who have given careful consideration to the subject, in the main concur.

## TAXATION.

(From the Inaugural Address of Gov. R. E. Pattison, January 20, 1891.)

Of scarcely less importance is the equalization of the burdens of taxation. For many years there has been a well-grounded complaint against the insufficiency, the inequality, the ineffectiveness and the partiality of the tax laws of the state.

The burdens of the government should be equally shared, or at least as nearly so as human laws can contrive. Since our legislative policy is to tax property rather than persons, there can be no possible excuse for selecting the houses and farms of the people to bear ten times as much of the public burdens as personal property. If things, and not persons, are to be taxed, common equity would dictate that the aggregate of a man's possessions, irrespective of their kind, and simply according to their value, should bear the infliction. What delinquency has real estate been guilty of that it should be thus unfairly discriminated against? It is the most productive, the most needful and the most stable form of property. It adds most to our wealth, remains always with us, shelters and sustains our people and at once attracts, and, if justly treated, retains and multiplies population. There is a baleful vice in the form of government that inflicts a penalty upon lands and houses and makes their ownership difficult and burdensome. The farmer and householder has no right to any exemption from his fair share of the public expense, but he has a right to just and impartial treatment that cannot be ignored except at a cost of social tranquility. The inequality referred to is patent to every eye. There is not a citizen in the commonwealth paying a tax upon his home or farm who cannot point to some neighbor owing many times as much in personal goods and idle capital who yet pays an immeasurably less amount of tax. It is useless to answer such undeniable facts by any intricate theory as to the ultimate distribution of all taxation. Such unjust discrimination is working untold evil to our people; is oppressing the poor, is exempting the rich; is, day by day, establishing unfortunate social distinctions that are foreign to our principles of government, destructive of the happiness and energies of men and blasting the hopes that we have all prayerfully entertained of our country becoming the home of a contented and happy people.

The state tax on corporations fills all the requirements of a subject for taxation for the support of the state government that can be uniformly assessed upon established standards of valuation, and which can be cheaply collected. The machinery for its assessment is simple and the cost of its collection is nominal. Corporate wealth is purely a creation of the state, and fitly bears the burden of its expenses; but since this and the collateral inheritance tax together produce ample revenues for the state expenses, I suggest that the revenue law be so changed that the state remit to the counties all other taxes and license charges now levied by it. Every dictate of public policy suggests that taxation be reduced to the bare needs of the government. By enforced economy the taxpayer is protected, his burdens are lessened and thrift is promoted. A revenue in excess of the actual needs of the state puts a premium on extravagance and wastefulness in legislation.



## BILL PRESENTED BY THE STATE REVENUE COMMISSION.

## AN ACT

To provide revenue for "local purposes" by taxation of real estate, personal property and corporate property.

SECTION 1. *Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania in General Assembly met, and it is hereby enacted by the authority of the same,* That the terms "moneys and credits," "transportation companies," "transmission companies," "local purposes," "taxable person," and "tangible personal property," wherever used in this act, shall be construed and held to have the several meanings stated and defined in this section respectively, that is to say, "moneys and credits" shall be held to mean all mortgages, all moneys owing by solvent debtors, whether such debtors shall reside in the commonwealth or elsewhere, and whether the evidence of such debt be promissory note, penal or single bill, bond, judgment, article of agreement, or book account; all loans issued by any corporation, association, company, or limited partnership created or formed under the laws of this commonwealth or of the United States, or any other state or government, including car trust securities, and loans secured by bonds or any other form of certificate or evidence of indebtedness, excepting money deposited in banks and savings institutions, not drawing interest, and subject to check, and all other moneyed capital in the hands of individuals, corporations, limited partnerships, companies, or co-partnerships in this state, and all annuities over two hundred dollars, except annuities or pensions granted by this commonwealth or by the United States.

"Transportation companies" shall be held to mean all railroad companies, canal companies, slack-water navigation companies, pipe line companies for the transportation of mineral oil, or natural or artificial gas, express companies, palace car companies, parlor car companies, sleeping car companies, freight carrying companies, steamboat companies, transportation companies, and all other companies, co-partnerships, corporations, or limited partnerships engaged in the transportation of passengers, property, freight, or express packages from a point within any county of this commonwealth to a point beyond the limits of such county, or from points without the commonwealth to points within the commonwealth, or from points within the commonwealth to points without the commonwealth or through the commonwealth.

"Transmission companies" shall be held to mean all telephone companies and telegraph companies, incorporated or unincorporated, and all other companies, incorporated or unincorporated, engaged in the transmission of messages from a point within any county of this commonwealth to a point beyond the limits of such county, or from points without the commonwealth to points within the commonwealth, or from points within the commonwealth to points without the commonwealth or through the commonwealth.

"Local purposes," when used in connection with the subject of taxation, shall be held and adjudged to mean taxation for the payment of the expenses of the government of counties, cities, wards, boroughs and townships, for the support of common schools, for the support of the poor and indigent insane, for the construction and maintenance of roads and bridges, for the construction of sewers and the lighting, paving,

and maintenance of streets in cities and boroughs, and for the payment of all township, poor district, county, and municipal indebtedness and the interest thereon.

"Tangible personal property" shall comprise all property other than real, excluding all the evidences or representatives of property.

"Taxable person" shall be held to mean any person, persons, co-partnership, or unincorporated association, limited partnership, bank, or corporation whatsoever, formed, erected, or incorporated by or in pursuance or under any law of this commonwealth, or of the United States, or of any other state or government, and liable to taxation within this commonwealth, whether holding a taxable property in his, her, or its own right, or as active trustee, agent, attorney-in-fact, or in any other capacity, for the use, benefit, or advantage of any other person, persons, co-partnerships, unincorporated association, limited partnership, bank or corporation whatsoever, and the pronouns "he" or "his," when referring to the clause "taxable persons," shall be taken and adjudged to mean he or his, she or hers, it or its, they or theirs, as the spirit and intent in each case may require.

SECTION 2. Property taxable in this commonwealth by this act is hereby classified as follows, that is to say, all real estate of every kind and description, with the improvements thereon, not necessary for conducting the business which "transportation companies" and "transmission companies" are authorized by their respective charters to transact, including oil-producing land, and gas-producing land, and all leasehold rights therein, excepting such real estate as is embraced in class eight (8) of this section, also all tangible personal property not embraced in classes two (2) and four (4) of this section, and all gross earnings or income from trades, professions, occupations, and investments of money or capital in excess of three hundred dollars (\$300) to each natural person, shall constitute class one (1).

All real estate and tangible personal property necessary for transacting the business which "transportation companies" and "transmission companies" are authorized by their respective charters to transact, excluding oil-producing lands, and gas-producing lands, and all leasehold rights therein, shall constitute class two (2).

All moneys and credits excepting the moneys and credits of "transportation companies" and "transmission companies" shall constitute class three (3).

The following property, not in excess of \$300 in the aggregate, in the ownership or possession of each "taxable person," to wit, horses and cattle under the age of four years; sheep and swine under the age of one year; wearing apparel, household furniture and tools, and implements used for pursuing a trade or calling, and unsold products of agriculture, gardens, or manufacturing, shall constitute class four (4).

The gross annual earnings or incomes from trades, professions, occupations, or investments of money or capital not in excess of three hundred dollars (\$300) to each natural person, shall constitute class five (5).

All shares of capital stock of banks of issue, exchange, discount or deposit, incorporated under and by virtue of the laws of this state or of the United States, and doing business in this commonwealth, shall constitute class six (6).

All gross earnings of private bankers and unincorporated banks and savings institutions shall constitute class seven (7).

The following described property shall constitute class eight (8) and



shall be exempt from taxation in this commonwealth, except for lighting and paving streets and for the construction of sewers in cities and boroughs, for which purpose real estate of class eight (8) shall pay all taxes legally levied and assessed at the same rate as is paid by class one (1) for like purposes.

First, the property of the United States and the property of this commonwealth.

Second, all court-houses, jails, almshouses, and all property owned or used by, and necessary for, the corporate purposes of counties, cities, boroughs, townships and poor districts.

Third, all lunatic asylums, houses of refuge, reform schools, literary, scientific, benevolent and charitable institutions, together with the surrounding land and buildings used for, and necessary for such purposes, not exceeding five acres to any one of such institutions, and also the furniture, books, apparatus, and pictures necessary for, and used therein, providing such institutions are supported wholly or in part by state or municipal appropriations, or private contributions, and which are maintained primarily for public charity or benefit, and from which the corporators, trustees, directors, managers, clerks, and other assistants shall receive no profit or remuneration, except a salary, and which salary either of one officer or of every officer or employé in the aggregate shall not be so great as to diminish or subvert the purpose for which such institution was founded, by the absorption of its revenues for private gain. And for the better execution of the provisions of this section, every institution of this class claiming exemption from taxation, shall annually render to the Auditor General of the commonwealth, and also to the chief accounting officer of the county, city, borough or township making appropriations for the support of such institution, a statement of its revenues and the source or sources from whence the same are derived, and also an itemized statement of its expenditures; and, furthermore, the officers who are charged with the payment of the appropriations made by the state or by municipalities to any such institution, shall withhold the same, whenever the board of public charities shall suggest or an examination of its accounts shall show that it is subverting its public object to private gain, in which case the property of such institution shall no longer be exempt from the taxation imposed upon the like classes of property by this act, unless otherwise decreed by the courts.

Fourth, all school houses, colleges and academies not leased or used with a view to pecuniary profit, in which free schools are kept and maintained, with the necessary curtilage appurtenant thereto not exceeding ten acres, and the furniture, apparatus, books, and pictures necessary for and used therein.

Fifth, all public parks owned by municipal corporations, used for general resort, to which the public have free access.

Sixth, regular places of stated religious worship, with the necessary curtilage appurtenant thereto, not exceeding five acres, and the furniture and musical instruments necessary for and used therein.

Seventh, all cemeteries or burial grounds, with the receiving vaults used therein, owned and controlled by associations so organized that no private or corporate gain can accrue therefrom.

Eighth, all public monuments used for honoring or perpetuating the memory of the dead. Whenever the classification of property is referred to in this act, it shall be taken to mean the classification stated and specified in this section.

SECTION 3. All real estate and "tangible personal property" embraced in class one (1) shall be assessed at the price or value for which the same would sell if each piece or parcel of the same were sold singly and separately at a *bona fide* sale after full public notice, and taxed for "local purposes" at such rates as shall be levied by the respective authorities directed by law to levy taxes for any purpose embraced in the definition of "local purposes" as defined by section one of this act, and all gross earnings or incomes embraced in class one shall be assessed at the full value thereof in excess of three hundred dollars; and any taxes which may have been paid into the state treasury for or on account of any property assessed and taxed in pursuance of this section, or on account of capital stock representing such property, shall be deducted from the county tax levied upon such property for the same year.

SECTION 4. All "tangible personal property" excepting boats or water craft, made taxable for "local purposes" by this act, shall be listed and taxed in the ward, township, or borough in which the same is usually kept or located.

SECTION 5. The assessor of each ward, township, and borough of this commonwealth, shall make special inquiry of each "taxable person," and require a full and complete answer from each "taxable person," or his representative, agent, or attorney, to the following interrogatories:

First, the number of horses, mules, and asses over four years old owned or held by him or her.

Second, the number of neat cattle over four years old owned or held by him or her.

Third, the number of sheep and swine over one year old owned or held by him or her.

Fourth, the number of omnibusses, hacks, and pleasure carriages owned or held by him or her.

Fifth, the number of all kinds of musical instruments owned or held by him or her.

Sixth, all boats or water craft owned or held in trust by him or her wherever registered and whether at home or abroad.

Seventh, all moneys and credits owned or held in trust by him or her.

Eighth, all goods, wares, and merchandise owned or held by him or her, bought or consigned with a view to selling the same at a profit.

Ninth, all material owned or held in trust at the time of listing property for taxation with a view to being used, in whole or in part, in any process of manufacturing, refining, rectifying, brewing, distilling, pressing or combining.

Tenth, all products of mines, quarries, oil wells, salt wells, and natural gas wells owned or held in trust at the time of listing.

Eleventh, all machinery not taxed as real estate owned or held by him or her.

Twelfth, all tools and implements owned or held by him or her.

Thirteenth, all other "tangible personal property" owned or held by him or her, not exempted from taxation by this act.

Fourteenth, the gross income derived from trades, professions, occupations, and investments of money or capital.

The assessor shall fix the value of the property of each "taxable person," in conformity with the provisions of section three (3) of this act; but when the value of "tangible personal property" in the ownership of each "taxable person" and made taxable for "local purposes" by



this act shall not exceed three hundred dollars (\$300) no tax shall be assessed thereon.

The assessor shall enter the answer of each taxable on blanks which shall be furnished to him by the board of revision of taxes or county commissioners, which blanks shall be returned to the office of the county commissioners or board of revision of taxes, and arranged in order convenient for reference and preserved. The county commissioners or board of revision of taxes shall cause to be entered on the assessment books the aggregate valuation of each class of property, as follows: "tangible personal property" on one line, "moneys and credits" on another line, and "incomes" on another line, and a like entry on all certified copies of adjusted valuations required by law shall be deemed sufficient.

SECTION 6. All property of class three is hereby made taxable annually for school purposes at the rate of two mills on each dollar of the value thereof, and any and every obligation or evidence of debt that shall not be entered in the proper assessment books, shall, while so withheld from assessment, be uncollectible by any suit, process or proceeding whatsoever, and all interest earned during such time shall be forfeited. This section shall not apply to notes of issue used as a circulating medium, and commonly known as bank notes.

SECTION 7. In addition to the taxes levied and collected for county purposes, as mentioned in section six of this act, there shall be levied and collected for school purposes for the calendar year one thousand eight hundred and ninety-three, and each subsequent calendar year, a tax of ten mills on each dollar of the gross earnings for the previous calendar year of all private bankers and unincorporated banks and savings institutions, located or doing business within the county levying the tax. The same being the property mentioned in class seven of section two of this act.

SECTION 8. That every national bank and incorporated state bank, savings bank, or savings institution with capital stock, located within any county, or city co-extensive in boundary with a county, in this commonwealth, which shall fail to elect to collect from its shareholders and to pay into the state treasury, on or before the first day of March in each year, the six-mill tax provided for in the twenty-fifth section of an act, entitled "A further supplement to an act, entitled 'An act to provide revenue by taxation, approved the seventh day of June, Anno Domini one thousand eight hundred and seventy-nine,' approved the first day of June, Anno Domini one thousand eight hundred and eighty-nine," shall, on or before the first day of April in each year, make to the county commissioners or board of revision of taxes a report in writing, verified by the oath or affirmation of the president or cashier, setting forth the full number of shares of the capital stock issued by such bank and the actual value thereof; whereupon it shall be the duty of the county commissioners or board of revision of taxes to assess the same for taxation for county purposes at the same rate as that imposed upon other moneyed capital in the hands of individual citizens of the county, or city co-extensive in boundaries with a county, for like purposes, that is to say, at the rate of two mills upon each dollar of the actual value thereof; and for that purpose they shall have the power and it shall be their duty, in case they shall not be satisfied with the correctness of the report, to summon the officers of said bank to appear before them upon notice so to do, on a day to be fixed by them, and to bring with them all the books of the said bank showing its business, assets,

and dividends, for their examination; and it shall be their further duty to hear any stockholder who may desire to be heard on the question of the valuation of the shares as aforesaid, and they shall have the right by other evidence to satisfy themselves as to the correctness of the valuation of said shares of stock in said report contained, and to correct said valuation; the county commissioners or board of revision of taxes shall thereupon transmit to the said banks a statement of the valuation and assessment so made by them and the amount of tax due the county on all of said shares, which tax the said banks shall, within thirty days after receiving said statement, collect from their shareholders and pay over into the county or city treasury: *Provided*, That if any bank shall fail or refuse to make said report or pay said tax, at the said time herein specified, or shall make any false statement in said report, or shall fail or refuse, by its officers, to appear before the county commissioners or board of revision of taxes upon notice as aforesaid, or shall fail or refuse to produce its books for examination when required to do so, the county commissioners or board of revision of taxes, after having ascertained the actual value of each share of the capital stock of said bank from the best information they can obtain, shall add thereto fifty per centum, assess the tax aforesaid, and proceed to collect the same from said bank by levy and sale of property.

SECTION 9. That it shall be the further duty of the county commissioners or board of revision of taxes upon the returns made to them by the assessors of the several townships, wards, and boroughs, in all cases where it shall appear, on proving the record, that any taxable person has returned a less amount of money at interest than appears from the records in possession of the commissioners or board of revision of taxes, thereupon to raise the valuation of the property of said taxable person or corporation to the amount set forth in said records, and forthwith to notify the persons interested of the said increase of valuation and that the same is subject to be appealed from at the same time and the same manner as the original assessment.

SECTION 10. That any wilful failure on the part of the county commissioners, board of revision of taxes, ward, borough and townships assessors, to carry out the duties imposed upon them by the several sections of this act, shall be deemed a misdemeanor, and upon complaint of any "taxable person" and conviction thereof, the person or persons so failing to comply shall be sentenced to a fine not exceeding five hundred dollars and imprisonment not exceeding one year.

SECTION 11. That it shall be the further duty of the county commissioners or the board of revision of taxes of the proper city or county, on or before the time of making the annual or triennial assessments in any year, to prepare from the records in their respective offices a statement or statements, showing, as far as practicable, the number and amount of said mortgages and all other obligations and names of the parties thereto in each borough, township or ward in the county, which said statement shall be delivered to the assessor or assessors of each township, ward or borough respectively, before said officers shall enter upon the discharge of their proper duties.

SECTION 12. That if any assessor and any "taxable person" shall agree or enter into any arrangement or understanding, that upon the failure of such "taxable person" to make the return required by the sixth and ninth sections of this Act to be made, such assessor shall return a less amount of property made taxable by the fourth, seventh, eighth and ninth sections of this act than should have been returned by such "tax-



able person," the persons entering into such agreement, arrangement or understanding shall be guilty of conspiracy, and upon conviction thereof shall be sentenced to pay a fine not exceeding one thousand dollars, and undergo an imprisonment, either at labor by separate or solitary confinement or to simple imprisonment, not exceeding three years, at the discretion of the court.

SECTION 13. All precepts issued to the assessors of the several wards, townships and boroughs of this commonwealth by the board of revision of taxes or county commissioners, for the year one thousand eight hundred and ninety-two, and for each year thereafter, shall embrace instructions relative to the assessment of property in conformity with the provisions of this act.

SECTION 14. The assessment of all property taxable for local purposes, including new subjects of taxation specified in this act, shall be equalized as required by existing laws, and nothing in this act contained shall be construed as altering, amending or repealing, either in whole or in part, any act of assembly now in force authorizing and requiring the county commissioners, or boards of revision of taxes of the commonwealth to equalize the valuations of assessed property in their respective counties or cities co-extensive with counties.

SECTION 15. Whenever the assessors shall be of the opinion that a "taxable person" listing property for himself or for any other "taxable person," has not made a full and complete statement of such property, he shall examine such "taxable person," under oath, as to the numbers, amounts and quantities of the property he is required to list; and if such taxable person shall refuse to answer, under oath, all questions relating to the numbers, amounts and quantities of his taxable property and a full discovery make, the assessor may list the property of such person or his principal according to his best judgment and information, and for administering such oath no charge shall be made. He shall examine the records and lists of judgments and mortgages returned by the prothonotary and the recorder of deeds to the office of the county commissioners or board of revision of taxes, under the seventh, eighth and ninth sections of the act entitled "A further supplement to an act entitled 'An Act to provide revenue by taxation, approved the seventh day of June, Anno Domini one thousand eight hundred and seventy-nine, approved the first day of June, Anno Domini one thousand eight hundred and eighty-nine,'" or remaining in their respective offices, and assess such defaulting "taxable person" with the amount of all such liens, with interest thereon, and add thereto the amount of all other taxable property of which they have knowledge themselves, or obtained from other sources of information deemed by them to be reliable, which return the county commissioners or board of revision shall have power, and it shall be their duty to revise and correct, according to the best information they can command from the records in their office or other sources; and it shall be their duty to send for a person, persons and papers, and to administer an oath or affirmation to him or them in such form as shall be prescribed and supplied by them, the said county commissioners and board of revision of taxes, to which revised and corrected estimated return the proper county commissioners or board of revision shall add fifty per centum, and the aggregate amount so obtained shall be the basis for taxation: *Provided*, That if such "taxable person," on or before the day fixed for appeals from assessments, shall present reasons, supported by oath or affirmation, satisfactory to the proper county commissioners or board of revision,

sion, excusing a failure to make a return such as should be made to the assessors, and then shall make such return, the proper county commissioners or board of revision may substitute such return for that returned by the assessor and corrected as aforesaid, to have like effect as if no failure to return had occurred.

SECTION 16. All property of class two shall annually pay into their respective county treasuries a tax of four mills on the dollar of a valuation to be ascertained and fixed annually by the State Treasurer, Auditor General and Secretary of Internal Affairs, in accordance with the provisions of section 17 of this act.

SECTION 17. It shall be the duty of the president, chairman or secretary of each and every "transportation company" or "transmission company" in this commonwealth to make a report, verified by the oath of the officer making such report, in form and substance as the Auditor General may prescribe, to inform the Auditor General, State Treasurer and Secretary of Internal Affairs, of all matters and things pertaining to its property or its business, necessary to give a full and complete knowledge of the total aggregate value of all lands, buildings, superstructures, bridges, tunnels, viaducts, aqueducts, tracks, embankments, cuts, turntables, tools, implements, instruments, furniture, batteries, rolling-stock and all other property lying and being within this commonwealth, owned, used or leased by such "transportation company" or "transmission company," and necessary for carrying on the business for which such corporation or company was chartered. And if the Auditor General, State Treasurer and Secretary of Internal Affairs shall be satisfied of the correctness of such return, they shall fix a value on all property of such company or corporation, having due regard to the gross receipts, the gross expenditures, the net earnings, the cost of construction and the market value of the capital stock of each such "transportation company" and "transmission company;" but all property taxable for "local purposes" shall be excluded from any estimates made; and they shall ascertain the average value per mile of the line of works of each "transportation company" or "transmission company," including "moneys and credits" owned or held in trust by it; and shall certify the same to each board of revision of taxes or board of county commissioners in the commonwealth. In ascertaining the average value per mile of the line of railroad companies, the total valuation ascertained by the Auditor General, State Treasurer and Secretary of Internal Affairs shall be divided by the total number of miles of track in each line of railroad, including the second, third and fourth track in the main line, and also sidings and switches.

The locomotives, cars and all rolling stock of such railroad companies, palace car companies, parlor car companies, sleeping car companies and freight carrying companies, as run or operate lines extending beyond the boundaries of this commonwealth, shall be valued at an amount which shall bear the same ratio to its full value as the number of miles of such lines in this commonwealth bears to the number of miles in its entire line.

SECTION 18. If the proper officer of any "transportation company" or "transmission company" shall neglect to make the report to the Auditor General required by section 17 of this act, for more than thirty (30) days after being notified or required so to do by the Auditor General, the Auditor General and State Treasurer shall impose a penalty on such officer of one thousand dollars (\$1,000) and shall settle an account against such officer for such penalty, and certify the same to the At-



torney General for collection. And if any president, chairman or secretary shall wilfully make a false report or statement of the property or assets of a "transportation company" or "transmission company" to the Auditor General, such president, chairman or secretary shall be adjudged guilty of perjury and subject to the statutory penalties therefor; and in such cases the Auditor General and State Treasurer shall proceed to fix the valuation required by section 17 of this act, from the reports returned to the Secretary of Internal Affairs for any previous year, or from any other source of information deemed reliable by them.

SECTION 19. Each board of revision of taxes or board of county commissioners shall multiply the average valuation per mile of the line or works of each "transportation company" or "transmission company" as certified by the Auditor General, State Treasurer, and Secretary of Internal Affairs by the number of miles or fractional parts of a mile of such lines or works within their respective counties, including the second, third, or fourth tracks in the main line and all side tracks and switches of railroad companies, and shall lay a tax on the sum thus produced of four mills, which tax shall be paid into the proper county treasury by the respective "transportation companies" and "transmission companies;" and the several county treasurers of this commonwealth shall have the same power and authority to collect the said taxes by levy and sale of property as is given to tax collectors for the collection of taxes for local purposes by the laws of this commonwealth. The revenue thus arising shall be appropriated toward the payment of all ordinary county expenses.

SECTION 20. All male persons over twenty-one years of age, whose gross earnings or income from trades, professions, occupations, or the investment of money or capital shall not exceed three hundred dollars (\$300) per annum shall and are hereby required to pay a poll tax for the use of the county of twenty-five cents annually.

SECTION 21. In lieu of the notice of assessments required by existing laws to be given to taxpayers for triennial assessments, the county commissioners or board of revision of taxes shall cause printed lists to be prepared of all the assessments and valuations in each ward, township, or borough in the county, or city co-extensive with a county, and the several assessors shall serve on each taxable resident a printed list of all assessments and valuation in the ward, borough, or township in which the taxable resident resides.

SECTION 22. All property, except bank stock made taxable by this act, shall be assessed, and the several taxes shall be levied for the year one thousand eight hundred and ninety-two; and nothing in this act contained shall be taken and construed to relieve any taxable person from the payment of any tax or taxes due or owing to the commonwealth, or to the authorities authorized by law to levy taxes for "local purposes" under any law in force at the time of the passage of this act, but the same shall be collected under and by virtue of the laws by which they were imposed, which laws shall be taken for said purpose to be in full force and effect.

SECTION 23. All other acts or parts of acts inconsistent with the provisions of this act are hereby repealed, but nothing in this act contained shall be so construed as to repeal, alter, or amend the laws now in force for the assessment and collection of revenues for state purposes, the true intent and meaning of this act being to create additional revenue for "local purposes," as defined in the first section; nor shall anything herein contained be so construed as to alter or repeal laws in existence

at the date of the passage of this act, providing for the taxation of all other real estate than that held by "transportation companies" and transmission companies."

*Amendments made in the bill during second reading in the House of Representatives.*

Section 2. The words "in class eight (8)," were changed to read "in class seven (7);" the words "and all annual earnings or income from trades, professions, occupations and investments of money or capital in excess of three hundred dollars (\$300) to each natural person," were stricken out. In the definition of class 4 the words "wearing apparel" were stricken out; the whole definition of class five (5) was also stricken out, and the numbering of the following classes changed accordingly. Classes following class 5 all have their numbers advanced one so as to correspond with the class stricken out as above.

Section 3. The words "And all annual earnings or incomes embraced" were stricken out so as to correspond with preceding amendments. Near the close of the section the word "same" was changed to "current" so as to read "for the current year."

Section 5. The fourteenth class was stricken out, and near the close of the section the words "and incomes on another line" were stricken out.

Section 7. Near the end of the section the word "same" was changed to "current," so as to correspond with previous amendments.

Section 20. The words "whose annual earnings or income from trade, professions, occupations or the investment of money or capital shall not exceed three hundred dollars (\$300) per annum, shall and," were stricken out so as to make the section correspond with former amendments.

## REPORT OF THE COMMISSION APPOINTED TO PREPARE A REVENUE LAW.

*To the Senate and House of Representatives of the Commonwealth of Pennsylvania;*

GENTLEMEN: During the last session of the legislature action was taken for the preparation of a new revenue measure, which was embodied in the following preamble and resolution:

WHEREAS, It is a recognized fact that the present system of taxation, whereby real estate is exempted from taxation for state purposes, has worked an injustice by exempting from local taxation large amounts of property, both real and personal, belonging to corporations;

And whereas, There is no need of increased revenue for state purposes, and there is an urgent demand for the reduction of taxation for local purposes;

And whereas, There are at present no trustworthy statistics as to the amount of real and personal property owned by citizens in this state, owing to the inequality of assessments in the various counties; therefore, be it

*Resolved* (if the House of Representatives concur), That a commis-



sion to prepare a uniform revenue law covering both state and local taxation, and to report the same to the next legislature, be created, said commission to be composed as follows:

First. The Auditor General.

Second. One person to be selected by the association of county commissioners.

Third. One person to represent the manufacturing interests, to be appointed by the Governor.

Fourth. One person who has given special study to the subject of taxation, and who may be considered an authority on the same, to be elected by the Senate.

Fifth. One person to represent the financial and mercantile interests, to be elected by the House.

Sixth. One person who has given special study to the subject of taxation, and who may be considered an authority on the same, to be elected by the House.

Seventh. One person to represent the agricultural interests, to be appointed by the State Grange.

Under this resolution the members of the commission were appointed, who are supposed to represent the state, county, and other interests and classes. It should be added that the original bill provided for the selection of a representative of the labor interests, but through accident this part of the resolution did not appear in the statute. The commission, however, at their first meeting remedied this defect by the following action:

WHEREAS, The House of Representatives amended the original resolution as passed by the Senate on the same day, creating a commission to prepare a uniform revenue law, by adding to the same:

SECTION 8. And one person to represent the wage-workers of the commonwealth, to be appointed by the Secretary of Internal Affairs," which amendment was concurred in by the Senate, May 2, 1889;

And whereas, The transcribing clerk of the Senate, in preparing the resolution for the signature of the Governor, copied from the original resolution, thereby unintentionally omitting the amendment: therefore, be it

Resolved, That should the Secretary of Internal Affairs appoint a person to represent the wage-workers, the commission will recognize the person appointed as having the same authority to act as the other members of the commission.

Mr. William Martin having been appointed by the Secretary of Internal Affairs, and having accepted the appointment, the commission was completed in accordance with the intention of the legislature.

Several meetings were held in Harrisburg and Philadelphia, to which individuals were invited to express their views concerning the defects in the existing system, and to suggest remedies. A very considerable number of persons appeared who advocated the single-tax theory, as it is usually called; others opposed or advocated exemptions for charitable and religious purposes, and still others explained the wishes and opinions of the farming interests of the state. Thus the commission have been informed to some extent of the wishes and opinions in general of the taxpayers.

It is fitting, in presenting the several bills, to accompany them with an account of some of the difficulties which the commission have encountered; some of the peculiarities in the existing system, and some of the aims which the commission have sought to accomplish.

The tax system of Pennsylvania differs from that of every other state, except New York, in designating specifically the subjects of taxation. The kinds of property which are not designated escape. The systems of other states provide that all property shall be taxed, and afterwards exemptions are made. The statutes which specify what property shall be taxed for local purposes were enacted almost a half century ago and have not been subsequently amended. Since that time, however, new forms of property have been created—railroads, telegraphs, telephones, and the like—and which in the aggregate possess a very large value.

Our lawmakers from time to time have imposed taxes on this newly-created property for state purposes, and as its amounts and value have increased the original subjects to taxation have been relieved of state taxes. Thus two distinct systems of taxation have been developed which have little or no relation to each other. The state derives nearly all its revenues from property not known to the last generation of men, while all expenses of county, municipal and township governments, the construction and maintenance of roads and bridges, and the support of the poor (whenever they are a charge on a separate district), and the greater part of the cost of educating the children of the state, are borne by the few subjects of taxation designated by the act of April 15, 1834, and acts passed prior to the adoption of the present system of corporate taxation, except what the counties, cities, boroughs and townships receive from licenses and from the distribution of the state tax on personal property.

One of the difficulties in framing a tax law is the constitutional provision which declares that taxation "shall be uniform on the same class of subjects within the territorial limits of the authority levying the tax," and that "all taxes shall be levied and collected under general laws" (Art. IV, sec. 1). Thus, while some sections or classes desire a revision well understood by themselves, other sections and classes desire a different revision; while, perhaps, another section or class is opposed to any revision. It is evident that all enactments must apply to every section alike. In interpreting this constitutional provision the Supreme Court have decided that if one article of any class of property is taxed then all articles of that particular class must be taxed in like manner (Fox's Appeal, 2 Am. 337).

Again, the same article and section of the constitution restricts the legislature in making exemptions from taxation to "public property used for public purposes, actual places of religious worship, places of burial not used or held for private or corporate profit, and institutions of a purely public charity," and section two of Article 9, makes void all laws exempting from taxation any other descriptions of property. Legislative discretion in distributing the burdens of taxation is thus narrowed or withheld.

Another difficulty in perfecting the tax law of the state is the necessity of avoiding any conflict with federal legislation. The act congress establishing the national banking system forbids the taxation of the shares of stock in national banks at a higher rate than is paid by other moneyed capital in the hands of individual owners. Consequently, an equal rate must be imposed on the moneys and credits of individuals and shares of stock in all the banks.

Federal authority exists and must be recognized in another direction, to wit, the taxation of transportation companies which extend beyond the



limits of the commonwealth, and which use their rolling stock without regard to state lines. The right to regulate commerce between the states having been surrendered by them to the general government, its prerogatives must not be invaded in taxing this kind of property. The line between state and federal authority is, perhaps, not fully defined, and the difficulties in defining it have been realized in some of the decisions of the courts. For example, the gross receipts of transportation and transmission companies were taxed on the mileage basis by the state, but the Supreme Court of the United States decided that only the receipts of business wholly transacted within the State could be taxed (*Philadelphia v. Southern Mail Steamship Co.*, 122 U. S. 326).

Beside the difficulties already mentioned in establishing a tax system that of undervaluation may be mentioned. It may be remarked that it was begun at a time when the state revenues were drawn from the county treasuries. The practice has been continued, partly from the habit then formed, and partly from the opinion that prevails among the people that a low valuation will result in lighter taxation. Inequality in assessed valuation is in effect unequal taxation, and a departure from the rule of valuing property at its fair market values fraught with many evil results. When assessors depart from such a rule they are adrift and without any compass to guide them. If they set out with the determination of assessing all property at twenty, thirty or forty per cent. below its market value, they are far more likely to fall into errors than when they keep a practicable rule like that mentioned always in sight.

In preparing the bill which is herewith presented the commission have felt the need of accurate knowledge concerning the inequalities and injustice attending the present system. Some facts may, indeed, be obtained from the last two reports of the Secretary of Internal Affairs, but specific information is desired of the rates of taxation in the several counties, and all the objects for which taxes are assessed; the practical operation of the laws for assessing and collecting taxes; in short, ample detailed knowledge is required of local revenues and expenditures. To get this, however, is no small task, yet we believe that the legislature would act wisely in passing appropriate legislation for the gathering of such information. We are quite sure that the public is eager for correct knowledge of these matters, and would heartily approve a law enacted for this purpose.

Lastly, a few words of explanation must be added concerning the several bills presented. The first report, with the accompanying bill, presented and numbered 1, is signed by five members of the commission, Messrs. Price, Taggart, Wherry, Rhone and Martin.

The next report, numbered 2, is signed by the chairman of the commission, Mr. McCamant. While agreeing with a portion of bill No. 1, it contains objectionable features, and, therefore, his signature is withheld. Mr. Wright's signature is withheld for the reasons given in his report, which is numbered 3. The reasons for not signing by Mr. Bolles are given in his report numbered 4.

THOMAS McCAMANT, *Chairman*.  
JOHN A. WRIGHT,  
ALBERT S. BOLLES,  
AUSTIN L. TAGGART,  
LEONARD RHONE,  
GILES D. PRICE,  
SAMUEL M. WHERRY,  
WM. MARTIN.

## REPORT OF A MAJORITY OF THE COMMISSIONERS.

*To the Senate and House of Representatives of the Commonwealth of Pennsylvania;*

GENTLEMEN: We regard an immediate revision of our laws governing local taxation as an imperative duty. It is conceded by all candid and well-informed persons that our present tax system is not only grossly inequitable, but that it bears with crushing weight upon the only industry which, at the present time, can be called depressed, to wit, agriculture. If any favors are to be shown in the apportionment of public burdens, and if justice and good public policy permitted favoritism in this respect, agriculture should, for the present, be required to pay a less rate instead of a greater rate than other industries. But agriculture is asking, not for favors, but for an equal distribution of the burdens of government. We believe that an equal distribution would best subserve the interests of all classes. A law which compels the productions of the soil and the homes of the laboring classes to bear the bulk of taxation violates all correct principles of political economy.

The commission were authorized to prepare a bill covering both state and local taxation. We think, however, that for prudential reasons the laws regulating the assessment and collection of state revenues ought not to be disturbed at the present time. We recommend the conservative course of introducing innovations only when necessary to secure the desired relief.

Nor have we blended the system of local taxation with the system of state taxation. They have become separated, and in our opinion they ought always to remain divorced. A system of taxation which requires each county to contribute towards the support of the state government in the ratio of the assessed value of property in each county invariably leads to under-valuation in assessments.

This has a demoralizing influence on the public service and leads to inequalities in assessed value. Even now, without this incentive, the law which requires that all taxable property shall be valued and assessed at the price for which it would sell at a *bona fide* sale is disregarded in many counties.

We present herewith a bill (numbered one) entitled "An Act to provide revenues for local purposes by the taxation of real estate, personal property and corporate property." This bill does not embody the particular theories of any member of the commission, but is the result of a compromise of individual views for the sake of obtaining some measure of relief.

Section one is devoted to the definition of such terms as must be frequently used in framing a revenue bill. This method obviates the necessity for the tiresome and confusing repetition of phrases, and renders the legislative intent clearer.

For the purpose of avoiding constitutional difficulties we have, in section two, undertaken to classify taxable property. The right of the legislature to classify property for purposes of taxation is upheld by eminent legal authority.

Class 1 embraces all taxable real estate and all taxable tangible personal property of a marketable value, excepting the property of transportation companies and transmission companies, banking capital, and



certain kinds of personal property, not in excess of three hundred dollars, to each natural person, and the unsold products of farms, gardens and manufactories.

The assessment and taxation of the property of transportation companies and transmission companies (constituting Class 2), are provided for in sections sixteen, seventeen and eighteen.

Class 3, moneys and credits, excepting the moneys and credits of transportation companies and transmission companies, are treated in section six.

We have purposely omitted to provide for the taxation of Class 4, and in section sixteen we propose to place a nominal tax on the owners of Class 5, to prevent their disfranchisement under article eight, section one, of the state constitution. The drift of public sentiment tends towards the policy of imposing taxation on citizens in proportion to their ability to pay respectively. The policy of exacting taxes of persons whose possessions are so small that they are liable to become a public charge is contrary to the dictates of humanity and good judgment.

We have provided for the taxation of property of Class 6 (banking capital) in section eight and for property of Class 17 (incorporated savings institutions) in section seven.

For Class 8, which embraces property exempt from taxation by this act, we have carefully kept within the limitations fixed by article nine, section one, of the state constitution, with such safeguards as we can suggest to prevent the abuse of such exemptions.

Section three provides for the assessment and taxation for all local purposes of property of Class 1. Here is the ground of contention between the advocates of different plans of taxation. One school of economists insists that all taxes should be imposed on land alone, while another school advocates the raising of all public revenues by a tax on incomes. Both urge as an objection to a general property tax, such as this section proposes, that it is impossible to secure a full and fair assessment of personal property—that the taxation of personal property tends to encourage and reward fraud and imposes a penalty on sturdy honesty.

We have carefully examined the tax laws of other states and noted the results of the various systems of taxation. The plan of a general property tax has had the most thorough trial in the States of Ohio, Indiana and Illinois, and to these states we must look for a fair exemplification of its workings. The auditors' reports of these states give the relative assessed value of the different classes of property, as follows:—

	Real Estate.	Personal and Corporate Property.
Ohio . . . . .	\$1,112,162,831	\$642,215,123
(See pages 185, 208, and 273 Auditor's Report 1889.)		
Indiana . . . . .	539,227,186	292,060,182
(See page 86 Auditor's Report for 1889.)		
Illinois . . . . .	542,132,037	233,997,071
(See pages LIV, 26, 30, and 33 Auditor's Report of 1889.)		

As all property is taxed equally in these states, we are able to compute the percentage of taxation paid by each class of property as follows:—

	Real Estate.	Personal and Corporate Property.
Ohio . . . . .	63.4 per cent.	36.6 per cent.
Indiana . . . . .	64.8    "	35.2    "
Illinois . . . . .	69.8    "	30.2    "

Contrasting this showing with the results of our own tax system for 1889, we find that the aggregate assessed value of real estate for that year in Pennsylvania was \$2,002,942,127, personal property, \$44,007,909, and occupations, \$74,466,965 (See report of Secretary of Internal Affairs for 1889, page 214). These subjects of taxation comprise the whole resources of revenue for local purposes, excepting the appropriations from the state treasury in aid of schools and for other purposes. Real estate in Pennsylvania is paying 94.5 per cent. of all taxes collected by the local authorities for local purposes, while personal property and occupations together paying 5.5 per cent. But corporate property, money at interest, and merchandise paid into the state treasury for the same year as follows:—

Capital stock tax, . . . . .	\$1,951,994 98
Gross receipts, . . . . .	521,246 38
Bank stock, . . . . .	469,900 82
State tax on money, . . . . .	747,871 32
Mercantile tax, . . . . .	405,189 74

Total, . . . . . \$4,096,203 24

(See State Treasurer's Report for 1889, pages 8 and 9).

After careful investigation we conclude that the total amount of taxation paid by the present subjects of taxation to the local authorities for local purposes is about \$36,000,000 annually. Hence the amount above stated is paid by corporations money; and merchandise would constitute about 10 per centum of all taxes levied on property. It can thus be seen that real estate in Pennsylvania is paying about 86 per cent. of all property taxes, while in Illinois it pays 69.8 per cent., in Indiana 64.8 per cent., and in Ohio 63.4 per cent.

There is complaint in those states that a portion of their personal property still escapes taxation, but it is evident that their efforts to place a just portion of the public burdens on personal and corporate property has not been entirely futile. In casting about for a remedy for existing inequalities it has not occurred to their thinking men that their plan of taxation ought to be abandoned, or that all personal property ought to be exempted from taxation because it is difficult to assess it all. Their present efforts are directed towards the perfecting of their present system. Experience has shown that it is well nigh as difficult to make a perfect equalization of values on real estate as it is to secure a full and fair return of personal property. In this connection we respectfully submit this proposition: If the objections to a general property tax are well taken, then all laws taxing personal property should be repealed; if these objections are not well taken, then all personal property should be taxed.

It is also argued that, under a general property tax, or any other system, the burden of taxation will ultimately rest on land, or the occupiers of land, by the operation of the laws of trade. Without stopping to refute this fallacy we suggest that the more business-like method would be to equalize by statute without trusting to the uncertain mutations of trade.

This section would subject incomes to the same rate of taxation as property. The more advanced students of the subject of taxation believe that the taxation of incomes will be the only source of public revenue in the future. However this may be, we believe that our pre-



sent taxing machinery is not adapted to the thorough administration of such a taxing system, nor do we believe that public sentiment is now ready for such a sweeping reform. We think it more prudent to make it auxiliary to a general property tax until the people become familiar with it. Section three also contains a provision for deducting from the county tax any taxes which may have been paid into the state treasury for the same year for or on account of any property of this class. We can see no other way to secure the equalization on this class of property without disturbing the present system of state revenue.

In section five we have framed a list of interrogatories which each taxable person, his agent or attorney would be required to answer *seriatim*. This bill requires no oaths of the taxable unless the assessor doubts the truthfulness of the answers given. In all cases the assessor and not the taxable is required to fix assessed values. Oaths have failed to secure a full return of property capable of concealment, and have operated as a premium for perjury and as a penalty for integrity.

In lieu of oaths, we present, in section twenty-one, a plan for giving the utmost possible publicity to all important particulars relating to the assessment of property. Fraud or injustice can live in a healthy moral atmosphere only so long as it remains concealed. Publicity has proven the best guarantee for the honest administration of public affairs.

Section six imposes a tax of two mills for local purposes on moneys and credits in addition to the state tax paid by the same property, making a total tax of five mills. We believe a higher rate would produce less revenue, and would therefore be inexpedient. There is a popular demand that a proportionate share of the tax on mortgaged property should be paid by the mortgagee. This would necessitate the taxing of all moneys and credits equal with land; it would intensify the desire of the owners of unrecorded obligations to escape assessment and would tend to cripple borrowers. The states which tax moneys and credits equal with landed property get but comparatively little revenue from this source. The clause in section six which makes unrecorded obligations uncollectible while they are withheld from taxation, would be ineffective as against contracts made prior to the passage of the act, but it would legally apply to all contracts made subsequently, and would be a powerful aid in securing a full assessment.

It is not expected that the tax imposed on chartered banks by section eight would yield a revenue for local purposes. It would, however, compel all such corporations to pay to the state the six mill tax imposed by the act of June 1, 1879, and its supplements.

Sections sixteen, seventeen, eighteen and nineteen propose to levy a tax, for county purposes, of four (4) mills on the dollar on the property of transportation companies in addition to the tax now paid by such corporations to the state. In this connection we feel the need of reliable statistics. We have not been able to ascertain the actual value of the property owned by such corporations, nor what proportion of the aggregate value of all property their holdings constitute. With out these data it is difficult to fix a rate of taxation on such property which will be equal to the average rate paid by other property throughout the commonwealth. From the best information obtainable, we conclude that the property now subject to local taxation is paying an average rate of from twelve to fifteen mills; but all property is not taxed, and that which is taxed is not all assessed at full value. If all

property in the state should be assessed, and taxed upon its full value, the rate of taxation would be greatly reduced.

In a case known as Laughlin's Appeal, reported in 19 W. N. C. page 517, the court appointed a master to investigate and report the value of the property and assets of corporations, and the rate of taxation to which the capital stock tax would be equal, and it was found to be equal to one and one-fourth mills on the dollar. As all other taxes collected from corporations together yield about the same amount of revenue, we conclude that corporations are now paying taxes which would be equivalent to two and one-half mills on a dollar of the value of their property and assets. If the four mills imposed by this bill should be added, the aggregate taxation of transportation companies and transmission companies would be about six and one-half mills on the dollar.

We have no disposition to recommend a rate of taxation on the property of corporations greater than is imposed on their competitors in other states; and, accordingly, we have consulted the tax laws of the State of New York, where their principal competitors are located. We find, first, that corporations are required to pay in that state, for state purposes, one-quarter of one mill on each dollar of the value of their capital stock for each one per centum of dividend made or declared (Chapter 469 of Laws of 1889). This is one-half the rate imposed by this state by the act of June 1, 1889, on stock which pays six per cent. dividends; second, they pay in that state 3.52 mills of state tax on the assessed value of their property, these two taxes making a greater rate for state purposes in New York than in Pennsylvania; third, they also pay an equal rate with all other property for local purposes in the several counties, towns and wards through which their lines run (See Comptroller's Report for 1890, page 14).

This bill would impose the duty of assessing this property upon the Auditor General, State Treasurer and Secretary of Internal Affairs.

The fixed property of a transportation company or transmission company extends through many assessment districts, and if local assessors were required to fix valuations upon it within their respective districts, uniformity in practice and equality in valuations would be a matter of chance. The assessment of the rolling stock and movable property of such corporations by local assessors we consider quite impracticable.

It is proposed, in section seventeen, to place the taxable value on the rolling stock of transportation companies, whose lines extend beyond the limits of the state, at such an amount as will bear the same ratio to the full value of such rolling stock, as the number of miles of such lines within this commonwealth bears to the number of miles in the entire line. This provision is suggested by the judicial decisions known as Pullman Car Company *v.* Commonwealth, 14 Out. page 405; Philadelphia and Southern Mail Steamship Company *v.* Pennsylvania, 122 U. S. page 326; Commonwealth *v.* Lehigh Valley Railroad, 24 W. N. C. page 189, and Commonwealth *v.* Delaware and Hudson Canal Company, 22 W. N. C. page 525.

Some misgiving exists as to the constitutionality of taxing transportation companies for local purposes, for the reason that they are already taxed for state purposes. The Supreme Court of our state has said that double taxation is not to be presumed; but that tribunal has never said that the legislature has no power to tax property twice or more than twice. If this bill should become a law, we think that the purpose of levying an additional tax for local purposes on corporations



would not have to be presumed, as the legislative intent is so clearly expressed therein that it may be easily and clearly understood by lawyer, judge or layman.

Railroad property was made subject to taxation for local purposes in the city of Pittsburgh by act of January 4, 1859, P. L. 828, and the act was sustained by a decision reported in 104 Pennsylvania State Reports, page 522.

All railroad property excepting the superstructure of the road and water stations, was made taxable for county and city purposes in Philadelphia by act of April 21, 1858, P. L. 385, and the constitutionality of the act has not been disputed.

It is also claimed that some, if not all, of the corporations of this State have vested rights, secured to them by former legislation, which would render all subsequent legislatures powerless to tax them by a new method, or for an additional amount. This argument is refuted in decisions reported in 6th Casey, page 9, and in 66 Penna. State Reports, page 86, in which the doctrine is promulgated that the legislature has no power to alienate any of the rights of sovereignty, such as that of taxation, so as to bind future legislatures.

The question of taxation is a many-sided question and each particular interest views it from a different standpoint. We believe that a vast majority of our people are in accord as to a general plan of taxation, but they disclose a diversity of views in relation to details. But the most vital division is between those taxpayers who feel the weight of over-taxation and therefore want a revision, and that other class who are satisfied with our present tax laws for obvious reasons and therefore want no revision. No act could be framed that would exactly meet the views of all who want our tax laws revised. The majority of the tax commission have met each other in a spirit of concession, and the bill here presented is the result of compromise. We present it to the legislature not as a perfect measure, but as the best result obtainable from a conference of various and, in some respects, conflicting interests and opinions. While all who recognize the necessity of tax revision may not regard it as in all respects the best that might have been presented, all must recognize the fact that it is the only revision obtainable at this time, for the presentation of another bill or bills to revise our tax laws would tend only to divide the advocates of tax revision, and thus render tax revision impossible for the present.

We earnestly hope that your honorable bodies will be actuated by a spirit of concession as to minor details as we have been, and thus secure reform which is urgently demanded by a large majority of taxpayers.

GILES D. PRICE,  
LEONARD RHONE,  
SAMUEL M. WHERRY,  
AUSTIN L. TAGGART,  
WILLIAM MARTIN.

# REPORT BY HON. THOS. McCAMANT, AUDITOR GENERAL, AND MEMBER OF THE REVENUE COMMISSION.

*To the Senate and House of Representatives of the Commonwealth of Pennsylvania :*

GENTLEMEN : The resolution under which this commission is created provides for the preparation of a uniform law covering both state and local taxation ; but, in view of the fact that the system of taxation under which the commonwealth derives her revenues is well established, and adopted by other states, we have thought best to direct our efforts to devising a measure in relief of real estate from local taxation. This is the aim of the bill drafted by Mr. Price, and reported by the majority vote of the commission. I regret to say that I cannot agree with my associates in recommending this bill. It is too severe in some of its measures, although I waive this objection in order to secure a report, but I further object to the plan of taxation of the property embraced in class two, for the reason that I do not believe it to be feasible.

I agree with Mr. Wright, that an income tax would be more uniform than any method we could suggest, but as its adoption would be a radical departure from the laws now on our statute books, and as the general government found its income tax law, passed during the late war to suppress the rebellion, to be inquisitorial, improperly executed, and its results generally unsatisfactory, I feel sure we are not prepared for such a measure, and I do not recommend the same.

That there is now an inequality between the taxation of real estate and personal and corporate property, is beyond question ; but such inequality is not so great as represented. I cannot conceive of a system of taxation that will not contain some inequalities, even though it be a graduated income tax, and so long as revenues have to be raised by the taxation of persons and property, real estate will bear the greater share of the burdens, for the reason that its value can be readily ascertained, and there is no facility for its concealment as in the case of personal property. Furthermore, personal property can be placed beyond the jurisdiction of the taxing power, and, as it changes hands more frequently than real estate, its ownership is hard to establish, and the right to tax denied on constitutional and technical grounds.

It is to be regretted that the commission have been unable to obtain full and reliable statistics in the matter of local taxation, and, by reason thereof, are precluded from submitting to the legislature such a statement as would show the exact ratio of difference between the taxation of real estate and personal property for all purposes for which taxes are levied ; also, how much tax of all kinds is paid by corporations, and how much by individuals and firms.

It is wrong to reckon all corporate capital invested in Pennsylvania at its par value, when it is a known fact that much of it is worth less than par, and some of it worth nothing whatever. It is also a mistake to assume that corporate capital pays no tax for local purposes. Real estate, in which the capital stock of corporations is invested, pays the same tax for all local purposes as does real estate owned by individuals, save in the case of railroad companies, canal companies, telegraph companies, or other corporations of a public character, where the real estate absolutely necessary for the exercise of the corporate franchise is ex-



empted from local taxation, under numerous decisions of our Supreme Court; but such real estate as this class of corporations own over and above what is necessary for the exercise of their corporate franchises pays the same tax as the real estate of individuals. Street passenger railway companies, and mining and manufacturing companies have a portion of their capital invested in horses and mules that they are obliged to use in carrying on their business, and all capital so invested is taxed for local purposes. It is, however, impossible, for want of statistics, to determine the amount of corporate capital invested in this Commonwealth that pays tax for local purposes, but there is no doubt whatever that a large proportion of it is so taxed. The actual value of corporate capital in the commonwealth, as nearly as the same can be ascertained from the returns made to the Auditor General's Department, and from such statistics as we are able to gather, is \$950,000,000. Of this amount \$175,000,000, representing the value of the capital stock of corporations organized for manufacturing purposes, and \$75,000,000, representing the value of the capital stock of building and loan associations, pays no tax to the commonwealth. The remaining \$700,000,000 of corporate capital pays to the commonwealth annually taxes aggregating \$3,300,000. The rate of taxation for state purposes, on corporations, varies from three to fourteen mills, in the case of corporations that pay no dividends, or dividends less than six per cent. A greater rate prevails where a corporation pays a dividend of six per cent. or over. Railroad companies, as a rule, pay the heaviest tax. The value of corporate loans, taxable in Pennsylvania, per reports made to the Auditor General, is \$160,000,000, and the annual revenue realized to the commonwealth therefrom is \$480,000.

The value of mortgages, judgments, and moneys at interest in Pennsylvania now subject to taxation, excluding corporate loans is \$572,000,000, and the annual revenue realized to the Commonwealth therefrom is \$1,140,000. She also realizes annually from foreign insurance companies, licenses of various kinds, collateral inheritance tax, and miscellaneous sources, the additional sum of \$2,500,000.

Revenues for local purposes are derived from the taxation of real estate, horses, cattle, salaries and occupations also from special licenses in municipalities, and from a distribution of the retail liquor licenses and the state tax on personal property.

The assessed value of real estate in the commonwealth for the year 1888, as appears from the report of the Secretary of Internal Affairs for said year, which is the latest one I can find, is \$1,840,433,540, and of horses, cattle, salaries and occupations, \$127,819,214. It is believed, from information obtained through the State Board of Agriculture, and from other trustworthy sources, that these assessments, in the aggregate, are much lower than actual valuations, and that \$2,400,000,000 is a conservative estimate of the full value of real estate for said year, and \$154,000,000 the full value of horses, cattle, salaries, and occupations. The tax collected on the assessed valuations for said year, for county purposes, was \$16,585,522.90, and for school purposes \$7,869,505.56, but we have no statistics to inform us of the tax collected for the same period for road purposes, city and borough purposes and for support of the poor, where they are a separate charge on a district: but these several taxes were doubtless heavy, and amounted in the aggregate to a large sum of money. It must, however, be borne in mind that a considerable portion of the said taxes came from the real estate and other property of corporations.

We are also unable to ascertain what amount was realized to cities and boroughs from special licenses, but from the distribution of the retail liquor licenses for the said year, 1888, there was a revenue for local purposes of \$1,326,097.50, and about the same revenue for each of the years 1889 and 1890.

The several counties now receive one-third of the state tax on personal property, which amounts, for the year 1890, to \$572,679.64, and local taxation is also relieved by the appropriations made by our Legislature from the revenues derived for state purposes, for the payment of judicial salaries, the support of the common schools, the maintenance of the indigent insane, and for different charitable purposes; but, notwithstanding all that is done, there is still a burden on real estate, and to remedy the same is no easy matter.

This can be partially accomplished by the commonwealth either assuming a further share of the expenses of local government, where her revenues will permit, or by relinquishing to the counties any surplus revenues she has, and by placing a tax for county purposes on money, capital, shares of stock in corporations, subject to certain restrictions, capital invested in mercantile and commercial pursuits, moneys derived from business investments, and on gross earnings of private bankers and brokers, and unincorporated banks and savings institutions.

The bill I submitted to the commission had this end in view. It would, in my judgment, be productive of a revenue of not less than \$3,500,000 annually, and, in conjunction with a distribution of the surplus revenues of the commonwealth, would afford substantial relief to real estate. The said bill was not accepted, though some of its provisions are incorporated in the bill reported by the majority of the commission. It proposed to repeal the net-earnings tax on private bankers and brokers, and unincorporated banks and savings institutions, and to substitute in lieu thereof a tax for county purposes on gross earnings. It was also proposed that an act follow, reducing the rate of taxation for state purposes on the subjects named in the first section of the revenue act of 1889 from three mills to two mills, and, as the counties now have one-third of the said tax refunded to them, there would be no change in this respect in our state revenues.

It further proposed that a full credit should be allowed on the tax levied on capital invested in mercantile and commercial pursuits, for all amounts paid for mercantile licenses and state tax, and a one-third credit on so much of the personal property of a corporation covered by the descriptions given in the first section, as represented capital stock on which a tax was paid to the commonwealth. It would, in effect, increase the tax on moneyed capital from three mills to four mills, which is the rate that prevailed from the year 1881 to the year 1885, and I do not regard the same as oppressive.

I give a copy of the bill I submitted, also a copy of one reducing the state rate on moneyed capital from three mills to two mills, which appear in the Appendix, and are marked Exhibit "A" and Exhibit "B".



# ARGUMENTS IN FAVOR OF THE PROPOSED REVENUE LAW AS PRESENTED BY THE COMMISSION.\*

By Hon. GILES D. PRICE, *Eric*, Hon. LEONARD RHONE, *Centre Hall*, and Hon. GERARD C. BROWN, *Yorkana, Pa.*

Hon GILES D. PRICE spoke as follows:

In introducing the subject of tax revision before a body like this, I think it quite unnecessary to consume time in pointing out the defects of our present system.

You are all farmers, or at least real estate owners, and as such you know something about our tax laws. You know what unequal taxation is by experience. You feel the injustice of our tax system better than I can depict it. Nobody should assume to know more about the tax laws of Pennsylvania than the men who pay the taxes. Nobody knows more about over-taxation than the men who suffer by it. But a glance at the history of taxation in this state may prove instructive.

The inequalities of our public burdens in this state have not been brought about by a deliberate intention of one class of taxpayers to overreach or oppress other classes. It is not the result of aggression. It has come upon us by a process of evolution.

The law which designates the subjects of taxation for local purposes was passed in 1834. It named land and buildings, horses and cattle and occupations, and there it stopped because it could not well go further. Merchandise was then taxed by the state as it is now, and these classes embraced about all there was of tangible property then in existence. There was at that time no railroads, no pipe lines, no telegraphs, no telephones. Manufacturing was in its infancy, and manufacturers had but little property except their plants. If this legislature would give us as fair an equalization of burdens as the act of 1834 gave to our grandfathers, the agitation for tax revision would cease and contentment would prevail.

Nearly the whole present volume of corporate property has been created since the act of 1834 was passed. Since that time the volume and value of personal property has vastly increased, and the aggregate of personal and corporate property has now reached an enormous sum. The expenses of local government have increased in the same ratio of the increase of personal and corporate property. The increase of local expenses is caused by the increased value and amount of personal and corporate property.

None of this increased expense is fairly chargeable to the increased value of land, nor to the increased number or value of horses or cattle.

But this is not all. This is an era of corporate activity. Corporations obtain their powers and existence by means of a charter granted by the state. Now, what is a charter? It is a privilege given to an association of individuals to transact a certain line of business as an organization. It transforms an association of individuals into an artificial person for certain purposes. All the property necessary for the accomplishment of those purposes is at once placed in a separate class for purposes of taxation, and under our laws is taxed for state purposes only. Our courts have said that land owned or occupied by

\* The Board of Agriculture, having under consideration a resolution endorsing the proposed revenue law as presented by the commission, invited Messrs. Price, Rhone and Brown to address them in relation to the proposed law.

a corporation having the right of eminent domain, and necessary for the enjoyment of its franchise, is no longer real estate, but becomes personal property, taxable by the state as capital stock, and withheld from taxation for all local purposes. Thus, each charter granted by the state to a corporation having the right of eminent domain increases the resources of the state, increases local expenses and diminishes the resources of local government. This process has been going on for more than fifty years, and is still going on.

And we now have the spectacle of a state treasury overflowing; with the subjects of state taxation paying from one-third to one-half the rates paid by the same classes of property in adjoining states, while, on the other hand, the local treasuries are impoverished, the municipalities heavily laden with debt and the subjects of local taxation over-burdened.

Efforts have been made from time to time to correct these inequalities, but the inequalities have steadily continued to grow, and were never greater than now. Real estate has been relieved from state taxation, so have horses and cattle. Appropriations have been made from the state treasury in aid of common schools and for other local purposes.

Tax revisionists have been charged with being unreasonable and ungrateful. We are constantly being told that the state requires no taxes from our property, and we are pointed to the munificent appropriations made for our benefit. But from whence comes the revenue which enables the state to be so generous with us? It comes from the taxation for state purpose only of a vast amount of property lying within the territorial jurisdiction of the several counties, cities, boroughs and townships throughout the state. Belts of it run through our farms; it is occupied by gas companies, and other chartered concerns, dotted over our cities; its buildings stand within our sight by the side of our buildings. *It is protected by the taxes we pay.*

What tax revisionists ask is that local authorities may be allowed to tax all property within their respective limits. If they could do this they would ask no help from the state to pay their bills. We ask that the state may be restricted to the amount of revenue necessary to maintain the state government, economically administered. We ask that she may attend to the legitimate business of her statehood, and let all other business alone.

Our present disjointed condition cannot be remedied by appropriations from the state treasury, no more than you could resuscitate a dying tree by lopping off its dead branches. You must go for the worm at its root.

A bill embodying these principles was drafted by the Association of County Commissioners, and presented to the last legislature. The patrons of husbandry also had a bill before the last legislature to revise our tax laws.

Each was pushed by its respective friends, and some antagonism sprang up. Both were beaten, and tax revisionists for the time became the laughing stock of their opponents. But it led to the creation of a commission charged with the duty of framing "a uniform system of revenue, embracing both state and local taxation."

When that commission took up its work, however, they found themselves unable to agree on any method of revising our state revenue laws, and were therefore compelled to agree to let state revenues alone.

The bill recommended by the commission makes no change what-



ever in state revenues. This circumstance has hampered us in the work of framing a complete and symmetrical system of local taxation.

But, while these circumstances have rendered the production and presentation of an ideal system impossible, the course we have been forced to take may prove the wisest course to pursue. A new tax law must of necessity raise new legal questions to be decided by the court.

The bill we recommend contains some innovations which will provoke legal contests. It may be the wisest course to let our system of state revenue alone until these questions have been settled. If this bill should be found free from constitutional objections, it will then be comparatively easy to so modify our state tax laws as to secure the ultimate object, which is a perfect equalization of burdens.

It may be prudent to keep one foot on firm and long-tried ground while we are carefully seeking another footing on advanced ground.

The first section of our bill is devoted to defining such terms as must be frequently used in drafting a tax bill. Then with our definitions settled, we proceed in the second section to classify property for purposes of taxation. If we were free to treat all property alike, as is contemplated by the constitution, this course might not be necessary; but it is evident that such property as is now taxed for state purposes must be treated differently to property taxable for local purposes only. This plan seemed advisable to us for other reasons. It did not appear to us advisable, or even practicable, to tax the last article of furniture or wearing apparel in the homes of the poor, nor the tools of a trade; nor the scanty out-puts of small manufactories, small farms or gardens. We have, accordingly, made a separate class of such property, not in excess of \$300 in the aggregate, in the hands or possession of each taxable person, and we have purposely omitted to provide for its taxation. The constitution would not permit this species of property to be specially exempted from taxation, but if the legislature fails to tax it, it will be treated precisely as millions of dollars worth of property has been treated since the adoption of the constitution.

Section five makes it the duty of the assessor to fix the assessed value of all property, and only requires the taxable to furnish the numbers, amounts and quantities. No oaths are required by the bill. Those who have watched the effect of oaths in connection with the assessment of property are nearly unanimous in their condemnation of such a requirement. As an illustration I will relate to you a line of incidents that came under my own notice. The first money blanks, prepared in pursuance of the money-at-interest act of 1885, required the taxable to report the number and value of horses and cattle, and in our county this was done. It showed an amazing difference in judgment. Some cows were sworn down as low as \$10 a head, and other cows in the same locality were sworn up to \$25 per head. In one township cows averaged \$18, and in an adjoining township they averaged \$28 per head. We were never able to discover much difference in the cows.

This circumstance reveals to us a danger far more threatening to the public welfare than the matter of dollars and cents could be. It shows that in the frequent and flippant administration of oaths, the sanctity of an oath is forgotten. The universal requirement of oaths, if persisted in, will lead to a general demoralization or debauchery of the public conscience. This is not an evil that is likely to correct itself. Its tendency is to spread and grow worse.

But, if oaths are dispensed with, some other method must be devised to secure a full and fair return of taxable property. In section

21 we present a plan by which we think this may be accomplished. We recommend that a printed list of all the assessments in a ward, township or borough shall be given to each taxable person therein once in three years, and thus give to each taxpayer the privilege of sitting by his own fireside while he quietly compares his own assessment with every other assessment in the district in which he lives. We believe this plan would prove an effectual protection against such intentional injustice as is sometimes perpetrated by the assessor, for no assessor would dare to reward his friends or punish his enemies if he knew that all his acts would surely be scrutinized by every taxpayer in his district, and it will afford the utmost facility for the discovery and correction of such inequalities as frequently occur through inadvertence. Nor would it be a too public exposure of the affairs of the individual. Assessments are public records now, and always have been. These printed slips would show only what appears on the assessment records in the office, of the county commissioners—a line for the description and value of each piece of real estate; a line for the aggregate value of tangible personal property; a line for the aggregate amount of moneys and credits, without giving the names of debtors, and a line for the gross amount of yearly income, the vital point in adjusting assessed values in equality of burden. This matter of equalization involves the idea of comparison, and, therefore, every facility should be given to each taxpayer for making comparisons. It is the duty of the government to show each taxpayer the reason why he is required to pay the amount demanded of him. This object is not accomplished by giving to each taxpayer a notice of his own assessment merely, because this gives him no opportunity for comparison without going to the county seat with a lawyer to attend to his interests—a thing he rarely does, because he prefers to suffer injustice to some extent rather than to incur such an expense.

There is a wide divergence in the various lines of thought respecting the rate that should be imposed on moneys and credits. For my own part, and speaking for myself and nobody else, I think it is a grave mistake to tax money and credits at any rate. I believe that money is not property, but merely a measure of value. I note the fact that a fiscal obligation is no more than a promise, and I believe it should be treated like any other promise. The amount on its face is always represented by a corresponding amount of property, which is, or should be, taxed. The tax on money must inevitably be paid by the borrower from one to three times over. The borrower pays the tax on the property represented by his obligation; he pays it again by the enhanced rate of interest caused by the tax, and in the majority of cases he pays it the third time by special agreement with the lender. But as a majority of the commission declined to endorse my views, and as tax on money is demanded by the borrowers themselves, I have joined in recommending a two-mill tax on money for school purposes, which, with the three mills now collected by the state, would make an aggregate tax of five mills. If you will carefully note the results of the taxation of moneys and credits in other states, I think you will agree with me that it would not be expedient to impose a higher rate.

The taxation of corporate property is provided for in sections 16, 17, 18 and 19. If this bill should become a law, railroad companies, canal companies, pipe-line companies and telegraph and telephone companies, would be required to pay into the county treasuries of the respective counties a tax of four (4) mills on the actual value of their



property in addition to the tax now paid by them to the state, making a total tax on this class of property of about six and one-half ( $6\frac{1}{2}$ ) mills. It is claimed by the representatives of corporations that this is too high a rate—but after long and careful study and investigation, we believe it is not too high to make their burdens equal to the burdens of other taxpayers. We are told that if this bill should become a law the transportation companies would immediately increase their rates for carrying freight and passengers sufficient to reimburse or recoup themselves for the additional tax imposed by it. In other words, that they would still attempt to shift their fair share of the public burden on to other taxpayers. I do not know that transportation companies would adopt this policy if they could, but I do know that in relation to a great portion of their traffic they could not do it if they would. They could add nothing to their present charges from Pittsburgh to Philadelphia, because Pittsburgh has a competing line to Philadelphia, running through another state, and not affected by this bill. They could not raise their charges from Erie to Philadelphia for the same reason; nor from Williamsport to Philadelphia; nor from Harrisburg; nor from Reading, nor from any competing point. If they should be so unwise as to discriminate against non-competing points, and charge more for a short haul than for a long haul in the same direction and under like circumstances, the legislature has the remedy in its own hands. Our belief is that corporations will not be able to shift one dollar of the tax imposed by this bill on to the shoulders of their patrons.

As I have already intimated, this bill of the tax commission is the result of compromise. It will not meet the views of all tax revisionists in every particular (no bill would do that), but it will give substantial relief to property now over-taxed. It is in the interests of the laboring and producing classes. If this bill, or any bill having the same object, should be successful, it will be mainly because the farmers of this state give it their earnest, active and united support. While it is true that real estate in the cities is as much over-burdened as real estate in the country and more, and while this bill would relieve real estate in the cities as much as in the country and more, it is also true that city real estate owners can and do shift their burdens on to their tenants, the great army of wage earners, and this latter class have an impression that the tax question does not concern them, because they do not come in direct contact with the tax collector. Without united action among the farmers of this state there is no hope of success. This bill has had the endorsement of the association of county commissioners, which met in Williamsport in November last, also of the state grange at its meeting at Harrisburg in December. It has also been endorsed by several conventions of the farmers' alliance in different parts of the state. Each of these organizations have pledged their active support. We now come before this board, composed of representative agriculturists, and ask for your endorsement—not because we think it will exactly suit every member of the Board in every particular, but because we believe it to be the best to be had at the present time—because we believe it is this or nothing. Every member of the tax commission was earnestly in favor of a revision of our tax laws, as their reports show; but three of them dissented from the majority report, and it is a suggestive fact that no two of these three gentlemen could unite in recommending a bill. Each one of these made a separate report. Undoubtedly there are gentlemen on this board who would object to some

of the details of this bill. I wish to ask these gentlemen, in candor, do you believe you could agree among yourselves on all the details of a substitute for this bill?

There will be several substitutes presented to this legislature, but a majority of the opponents of this bill will be united on a measure to place a light tax, perhaps two (2) mills, on the capital stock of corporations and require that the avails shall be paid into the state treasury, to be appropriated by the legislature in aid of schools, roads and other local purposes. The advocates of this plan would continue the policy of collecting revenues in the state treasury far in excess of what is necessary for state purposes, graciously bestow it upon the needy municipalities throughout the state, and then claim the applause of the populace for doing it. I wish to repeat that if the cities, boroughs and townships can have the right to tax all the property within their respective limits they will need no assistance from the state in the payment of their bills nor in the management of their affairs. The policy of collecting a surplus in the state treasury for the purpose of being distributed for local purposes, is contrary to all generally accepted rules of good management or good government. It tends to centralize civil power here at Harrisburg and would eventually make the local authorities constant supplicants in the lobbies of the legislature for the means to sustain local government, to maintain highways and to educate the people.

When the Pilgrim Fathers instituted government for the New England colonies they placed all power in the hands of town meetings, and their simple plan has been the type after which all really free governments have been constructed since their time. The deviations from this plan of purely local self-government has been rendered necessary by the aggregation of towns into counties, of counties into states, and of states into a great nation. But the best interpretation of the genius of our institutions has always been to withhold from the central authority all functions that can be effectively exercised by the local authorities and to leave to the management of county governments only such local concerns as cannot be advantageously managed by cities, boroughs and townships—in short to keep the collection and disbursement of public funds and the administration of public affairs as near to the people as possible. The bill we present to you embodies these principles, and we ask for it your endorsement and hearty support.

Hon. GERARD C. BROWN spoke as follows:

As your chairman has informed you it was my expectation to say what I had been invited to say this evening. Consequently, to speak on this resolution puts me in the position of the man who started to go out hunting, and after he got out where the game was he found he had no ammunition fitted for the purpose. The remarks I intended to make were to be in a somewhat different field, or rather to cover the whole field in the time I intended to devote to that purpose.

The resolution I am now called on to speak upon is to endorse the bill presented by the tax commission. Perhaps it will be proper that I should say a few words first as to the necessity of taking such action as is called for on this occasion. I regret that my engagements have prevented me from hearing the discussions which have taken place in this body. I have listened to some of it with a great deal of edifica-



tion and instruction, and I have listened to some with considerable amusement. I have listened to the remarks of some person who took the position that the farmers had not much to complain of; that they were the people and that, therefore, they had no reason to complain, and if they had any difficulties or experienced any depression it was their own fault. The farmers of the country are entitled to the same respect and treatment as any other class and desire to live, and have a right to live, as well as any other class that is on the face of the earth. I do not know that a man who devotes all his time to an occupation that he may live, should be compelled to pay more than his fair share to sustain another class. The labor invested on the farm is just as meritorious as the capital invested in any other enterprise, and should not be required to pay more than its proportionate share of the expenses of the government. I quote the words of a gentleman who has preceded me to-day who said that "the labor on the farm was no industry," and "it was a mistake to look upon it as such," that oftentimes the farmer has a piano in his house and no one who can perform upon it. I must say that farmers have not multiplied luxuries like these very much, and the fact that some of them do have such things ought not to be plead at bar. The question resolves itself into this: Should the capital which he has invested be compelled to pay a greater proportionate part of the burdens of the state than that of others? I hold that there should be no discrimination. I hold that the money which is invested in land which the farmer is obliged to keep up and maintain with his hard work, is not to be considered in any other light than such as is invested in bank stock or any other stock of investment. These different investments are the source from which men derive their profits and livelihood, but the average profit from the farms is very much less than from the same amount of money in other things. We know, by the evidence obtained, and by all the returns statistics show us, that there is no method of investment which brings us so low a return as the farm, and the farmer should not be compelled to pay a greater proportionate amount of tax than the same amount of money invested in any other industry. I believe the true basis of taxation is to be laid upon the income-producing property of property; that that which produces in abundance should be taxed accordingly, and that which does not produce so profitably should not bear so much of the taxes; that from which no income is derived should not be called upon to pay any portion of the public burden. One inequality in the case of the farmers' property is as to the method of assessment and the result of assessment, all will agree that all of it is open to the view of the assessors. It is all open property; it cannot be concealed or removed. There are, according to the last statistics in the returns made to the offices here, about two thousand one hundred million dollars of that property denominated real estate found in this state, of which I concede less than one-half is farm property and this is called upon to pay one class of taxes, which no other class of property as such is required to pay any portion of, which is the taxes for local purposes, and, as it is assessed at about fifteen mills on the average, it results that the real estate owners are required to pay, for local purposes, something like thirty-two or thirty-three millions of dollars a year which is exacted from about two thousand million dollars worth of real estate. Taking all property in city as well as town property classed as real estate, it was so ably shown by Professor Hamilton in his essay according to the estimate he made, and it is abundantly sustained by facts, that not less than fifteen

mills is paid on it. We have the statements of the Auditor General in 1886, and we find that the rate of taxes then amounted to eighteen mills on real estate. I know it is said that the farm property is under valued, yet if we take the sworn assessments as made here to the Secretary of Internal Affairs as being a fair measure of the valuation of real estate, the estimate made in 1889, was twenty-one hundred million dollars in round numbers. No matter from which point you view it, it is an undisputed fact that the assessment upon the average real estate property was between fifteen and eighteen mills, and that on little over two hundred million dollars worth, all of it taxable for local purposes, and you know just what taxation for local purposes means, it being assessed on property in cities, towns and townships for schools, roads, and the poor. It would be well to understand what this other property, denominated corporate and personal property, amounts to. We have very little light on this subject, notwithstanding the officers of the state government have used all diligence to compile such statistics as are available. It is true that under law of 1889 the representatives of different classes of property are compelled to make returns here, but so far, except as to transportation corporations, it is almost impossible to tell what the gross amount of such property is, or even approximate to it. With your permission I will briefly consider such statistics as are available on this subject: I had the honor to be on the legislative committee of the state grange and made the calculations from official sources as to the corporate and personal property. Taking the reports for 1888, we find, as the value of

Railroads, .....	\$1,641,000,000
Passenger railways, .....	28,000,000
Canals, .....	97,000,000
Telegraph, .....	105,000,000
	1,873,000,000
Capital on interest, .....	500,000,000
Mercantile property estimate, .....	500,000,000
	150,000,000
Salaries and occupations, .....	85,000,000
Bank capital, .....	100,000,000
Horses and cattle, .....	42,000,000
Building and loan associations, .....	77,000,000

which makes a sum of over \$3,300,000,000 of personal and corporate property in Pennsylvania, and I am sure that it does not comprehend the whole of it.

In the first place, we have not nearly ascertained the amount that is at interest, and, in the second place, we have undoubtedly very much underestimated that classed as merchandise. It will be safe to say that there is thirty-five hundred million of corporate and personal property subject to taxation which is only taxed for state purposes, which only pays a little more than \$4,000,000 a year, or about one and a quarter mills on its ascertained value. Collected from all sources, the total state revenue is eight million four hundred and sixty-five thousand dollars, and I repeat that when you come to take out the licenses and the escheats and the miscellaneous and sundries, we find that the balance which remains in the shape of taxes from the personal and corporate property above enumerated is about four million and ninety-four thousand dollars, or four million one hundred thousand dollars at the out-



side, and that is all that the state collects from this vast amount of thirty-five hundred million corporate and personal property. We find that the railroads paid about thirty-nine hundred thousand dollars, which is less than one and one-fifth mills on such corporate property in this state. Haven't we a right to raise our protest? Haven't we a right to call upon every power lodged in ourselves as a people and lodge it in the legislature?

I believe the majority of the members of the legislature who have assembled here this winter are honest men; I believe they are prepared to look at it, and look at it fairly and honestly; I believe they are willing to give us a fair and equitable measure, providing we can unite on a measure and give it to them backed by all our authority, therefore, I am for the majority report of the tax commission. It is interesting how that tax commission was created. The efforts of the farmers for the last six years previous had been defeated by the Committee on Finance in the Senate, and we found they had determined to reject our bill, and they had concluded to proffer us an opiate to put us to sleep and make us believe that if we did not get what we were asking for we would get it in the dim future. They proposed to consider this matter for two years more, to let us down for two years by the appointment of a committee on revision of taxation. "Man proposes and God disposes." They caught themselves in their own trap, for the simple reason that they were not able to capture that committee, because it was composed of men who were honest and well disposed and who could not be approached, hence this majority report. I regard ours, the majority report of the commission, as infinitely preferable to the minority reports (there are three of them), and ask this body to endorse it for the reason it will go further towards securing what we should have, and as being the nearest approach to tax of any plan that has yet been proposed. I am not prepared, and I suppose no member of the board is prepared, to give an estimate of what the result would be, the amount that will come from it in relief to the tax-ridden people of this state. I believe it will be admitted that it will not be less than four and a half millions a year and possibly five millions; it may be more, because of the amount that will be drawn from corporations and other sources which do not pay taxes now, and which will be paid into the county treasuries of the state and made available for limiting and reducing the taxation of those counties. But the means of relief in this bill is not all that we may depend upon. I think we may expect to have an increased appropriation to the public schools of the state, and if we do receive such appropriation it will relieve some of the counties that have little personal property to tax. And I think the legislature will amend the law with reference to the licenses so that the revenues derived therefrom will be directed wholly to the local treasury of the counties of the state, which also will, in so much, relieve the burdens of local taxes. I hope this meeting of the legislature will result in a gain to the people of this state of at least seven millions annually, in relieved and released taxes. It is true, city property is taxed at a higher rate than farm property, but there is this advantage that the owner of city property has over the owner of farm property, the owner of city property may recoup himself on his tenants; the possessor of city property rents it as stores and tenements and depends altogether upon his rents, and according to the extent that the tax rate is raised, just so will he raise his rents. The holders of this class of property don't care much what rate of tax is put upon them, because they can, and do, put it on the renter and compel him

to pay it. But how different it is with the farmer! He has not the advantage of recouping himself, for he cannot make the price of his own produce. We are not in the same box at all, and therefore if there is to be anything accomplished beneficial to the farmers, who should receive the same treatment as the great and enormous corporate interests of the state, it must be by the combined work and influence of the farmers of the state, and no other agency under Heaven can accomplish it.

I cannot forget that four years ago, speaking to Auditor General Niles on tax equalization, he said to me, "I fear for the result of your tax bill;" and I say to him, "why do you fear for it, General Niles? You have acknowledged its justice and its necessity." "Because," he said, "there is a thousand millions of dollars against it." A thousand millions of dollars represented the force and power that we had to contend with. I believe there is more than a thousand million dollars against the passage of this or of any bill for the relief of the taxation of the people of this state.

Just one more point, and that is the fact that we must compel economy in the administration of our public affairs. There is no greater temptation to extravagance than an overflowing treasury. Let it be known to all there is a treasury full to overflowing and there will be great temptations toward lavish expenditures; therefore I am opposed to any scheme which looks to the gathering all the taxes paid by the people of the state into the state treasury to be distributed from the state treasury back to the localities and thus require double remuneration in its collection and distribution. It is wasteful extravagance. It is dangerous, extravagance. We must keep the appropriations down to the lowest point compatible with the proper and efficient administration of the different departments of our state government. If the state draws more taxes from the people than is necessary for an honest administration of the affairs of the government, then they are going to needlessly oppress the labor which is the source of all capital, it being the foundation of all our wealth; consequently all the burdens must fall upon the labor of our country. Let us then honestly and in all decency make these burdens as light as possible.

Our earnest devotion to these principles as evinced by an intelligent, and united effort to enforce them, by bringing *all* of our influence to bear on this legislature, will be rewarded not only by an alleviation of the unjust taxation we farmers endure, but by the prosperity which will accrue to all the labor interests of the state.

Mr. LEONARD RHONE spoke as follows.

*Mr. Chairman and Fellow Farmers:* I am very glad to have the opportunity to meet with you and convey to you the congratulations of the State Grange of Pennsylvania. I can assure you in your efforts to better the condition of the farmers you have the entire sympathy of our association. I know this agricultural board can do a great work if properly controlled. Now it is in the interest of the representatives to so direct the work of the board that the condition of the farmer will be benefited and thus enable the farmer to cheaper production. To assist them in seeking remunerative markets for their products, and to secure for them such a financial policy of the government that will enable them to pay their honest indebtedness as honest men should. To give you an illustration: A year ago it was my pleasure to go to Washington and interview Mr. Rusk, the Secretary of Agriculture.



asking him to make inquiry into foreign trade relations and what they were doing and what chances there were for foreign trade in our products, and the Secretary made a special report on this subject. We found out more; we found that the English government discriminated against the American cattle raiser; that when the American cattle were shipped into the British market they were forced by the English quarantine, while the cattle from Canada were admitted without this quarantine discrimination. We then consulted with Mr. Blaine and asked him whether we could not accomplish the admission of cattle without these restrictions and he held certain communication and it resulted very favorably to us, and it affords me pleasure to say that certain restrictions are removed and our cattle are not required to go in under this restriction which was so disadvantageous to the American cattle grower.

I know there are only three conditions that can better the farmers. The first is to remove these restrictions. The second is to enhance the values of our products in this country and of the world; and the third is, to adopt such a financial policy as will enable the farmer to do what the government was able to do. You remember at the close of the war the interest on the bonds was seven per cent. on gold, but it was decreased to four and four and a half. Blaine, in the bill that was defeated, proposed to furnish bonds at two per cent. And now if the farmers can do the same thing and assume the same policy without cheating their creditors they ought to do it. What can the State Board of Agriculture do on this subject? I know when you launch out at first you may be wrong but when you are wrong you will get right by and by.

In reference to this subject of taxation I want to say to you that if this complaint on the part of the farmers is not founded on fact then you ought to shut them up by presenting facts rebutting the position taken on this question. Senator Brown has shown from the committee of state grange, that the amount invested in real estate is something like two thousand million dollars and pays a tax of thirty-four million dollars. He has shown you that there is over three thousand millions invested in corporations and personal property, and that the entire amounts pays a tax of only four million three hundred thousand dollars, or an average tax of one and one-fifth mills. Is this true, and if so, is it just? If there are any members of the legislature present I ask them to reply to the position of the state grange on this question, and if it is true as estimated through its committee I would ask whether there are not such discriminations as should not exist. You have but one course to pursue in the oaths which you have taken as members of the legislature, and I can assure you that the state grange will not take part in politics if it receives fair treatment. I want to assure you that the state grange is not a political organization, but we have directed your attention to many of the evils existing with reference to the unequal and unfair method of taxation in our state. The taxes collected by the state department amount to four thousand dollars. Money at interest now pays three mills; the bill reported proposes to add two mills more. The same bill proposes to put a tax on transportation companies four mills more (they pay three), and with that proposed to be added will make it seven mills on their valuation. We believe if all the property was enrolled would be six thousand million dollars and the cost of the government is about forty-two million dollars, and the taxes so collected will pay all the expenses of the government, and if you can do this you

will cause great thankfulness on the part of the people of the state and those who are Republicans will remain Republicans still and those who are Democrats will remain Democrats still.

#### REPORT OF THE STANDING LEGISLATIVE COMMITTEE OF THE PENNSYLVANIA STATE GRANGE, PATRONS OF HUSBANDRY.

The legislative committee beg leave to report as to the matters which they have been directed to consider and the information they were desired to collect on the question of taxation in the state.

They would say that after the defeat of the tax bill prepared by them in accordance with the instructions and wishes of the state grange, the whole subject of taxation has been carefully and laboriously investigated by the commission appointed by resolution of the legislature.

The various leading interests of the state were specially represented in the membership of this commission, and all were given a hearing and due consideration.

The majority of this commission have reported a bill which they believe will secure substantial equalization of taxation upon all classes of property, and will remove measurably the unjust burden which the present system entails upon real estate.

Your committee offers some statistics gathered by them for your consideration as showing the aggregate amount of the different species of property belonging to the people of this state, the taxes collected, the reform, and the proportionate rate of taxation thereon.

We regard these as necessary factors to enable us to ascertain the actual results of our present system and indicate the best method of revision of taxation.

First, as to the amounts owned and invested in Pennsylvania belonging to the various corporations of the state. We will take the amounts of capital stock and bonds representing the interest-bearing indebtedness as affording a means of fairly estimating the value of the railroads and other common carriers, the transportation and transmission companies.

Taking the official reports of the Secretary of Internal Affairs of 1888 as authority:

Railroads, paid up capital stock (p. 71a),	\$776,066,315	
Railroads, funded debts, etc. (p. 71a),	865,723,298	
		\$1,641,789,613
Passenger R. R., capital stock paid (p. 106a),	\$18,527,000	
Passenger R. R., bonds, etc. (p. 106a),	10,126,000	
		28,653,000
Canals, capital stock paid (p. 135a),	\$50,259,000	
Canals, bonds, etc. (p. 136a),	47,406,000	
		97,665,000
Telegraphs and telephones, capital stock paid (p. 145a),	\$92,571,000	
Telegraphs and telephones, bonds, etc.,	12,696,000	
		105,267,000
Total transportation and transmission companies,		\$1,873,575,000



*Estimates of Auditor General to tax Commission.*

Mercantile property estimate, .....	\$500,000,000	
Money on interest, .....	500,000,000	
Manufacturing company, .....	150,000,000	
Banking capital, .....	100,000,000	
Salaries and occupations, .....	85,000,000	
Building and loan associations, .....	75,000,000	
Horses, .....	30,000,000	
Cattle, .....	12,000,000	
		1,452,000,000
Total, .....		<u>\$3,326,000,000</u>

This is the gross aggregate of personal and corporate property and interests in Pennsylvania. Nothing is more difficult, perhaps, than to list and properly assess such property. It is, beyond question, the most valuable as regards the rate of income and the gross receipts thereon. Much of it is now exempted from all taxation by law, in defiance of the ninth article of the constitution. None of it, except horses and cattle, is taxable for any except state purposes.

The whole amount of state revenue for the year 1889 from all sources is, according to the State Treasurer's report (page 9), \$8,465,000.

To ascertain the taxes collected by the state from the vast total of personal and corporate property above scheduled, we will take an account of the following items from the State Treasurer's report of 1889:

Collateral inheritance tax, .....	\$1,378,000	
Foreign insurance company, .....	479,000	
On writs and deed, .....	158,000	
For bonus on charters, .....	165,000	
For liquor licenses, .....	778,000	
From brewers', bottlers' and other licenses, .....	214,000	
Notaries, .....	10,000	
Escheats, .....	5,000	
Fees of public officers, .....	83,000	
Miscellaneous and sundries, .....	125,000	
For account of sinking fund:		
From Allegheny Valley Railroad, .....	365,000	
Commutation of tonnage, .....	150,000	
Annuity right of way, .....	460,000	
		\$4,371,000
Balance taxes collected from personal and corporate property, .....		4,094,000
Of which the larger item is the capital stock of corporations, .....		1,952,000
Which with tax on gross receipts of same, .....		521,000
Is all that is collected from the value of the same, above, estimated at .....		<u>\$1,873,575,000</u>

On the other hand we have the real estate, the farms and the homes of the state chargeable with the burden of the taxation for local purposes.

It was assessed for taxation last year at \$2,002,942,000. Under the present law this is taxable for local purposes, and only local purposes, what does it pay?

To ascertain this we have no information at all complete later than the census of 1880.

This shows the aggregate amount levied for county purposes is \$16,585,000; for support of townships, boroughs, municipal, \$17,731,000; total, \$34,316,000.

Undoubtedly this is several millions too low, as the statistics are ten years old, and there has been great increase in the taxes for those purposes.

And we have the corroborative evidence of the statistics which have been gathered under the law of 1889.

The forty-four counties which have made returns show that \$29,326,912 were collected in that year for the maintenance of the county, townships and municipal governments.

Twenty-four counties and the city of Reading failed to report in time.

It is evidently true that if their reports were included the sum would much exceed the \$34,316,000 exhibited above, as such cost in 1880.

We are met by the argument that the cost of construction and equipment more nearly represents the value of the transportation corporations of the state.

While we do not so regard it, because a great factor of the value of every such enterprise is that valuable thing which gives life and authority to it, its franchise, conveying as it does the right of eminent domain and other considerations, and the vast sum of accumulated profits and surplus which cannot be included therein, we are prepared to meet all objectors on their own ground, and herewith give estimates based on the official reports of the Secretary of Internal Affairs for 1889, as follows:

Total cost of railroad equipment (p. 83a), .....	\$1,068,035,000
Total cost of passenger railroad equipment (p. 108a), .....	11,515,000
Total cost of canals, .....	30,258,000
Total cost of telegraphs and telephones (p. 133a), .....	2,321,000

Total, .....

\$1,112,13,9000

An amount considerably greater than that shown by the returns of the same office as the value of all the farms of the state. On this property we find that the railroad corporations paid last year capital stock tax and tax on gross receipts amounting to \$1,210,000, or about 1 1.5 mills.

We feel assured that the taxpayers of the state do not appreciate the enormous discrepancy of the taxes on real estate and those on corporate property. Much of this, as the stock of manufacturing company, and building and loan associations, among the more profitable in the state, much of it yielding from 12 to 20 per cent. annual income, is entirely exempted from taxation by law, in defiance and in plain violation of the constitution.

The tax which is levied upon railroads, is as we have seen, but one and one-fifth mills upon the lowest valuation we can ascertain. It is very much below that which is laid upon the same property in our neighbor states.

Ex-Auditor General Niles has shown this very sharply in the instance which the cites of the Pine Ridge railroad in Tioga county.



This railroad cost \$4,634,000 and has a mortgage indebtedness of \$3,900,000. On account of this the capital stock, face value \$1,000,000, is appraised at \$100,000; the indebtedness being deducted; a privilege which the law refuse to real estate encumbered with mortgages or judgments. Upon this they pay a tax of three mills, for state purposes only. This railroad earned in 1889, \$723,232.80; the total expenses of running it amounted to \$473,938.18, a profit of \$249,403.62, or nearly 6 per cent. on the total cost. And yet it paid but a paltry \$300 to the state and nothing at all to the districts through which its 75 miles of roadway runs.

Take the Corning, Cowanesque and Antrim railroad:

It cost to build and equip, .....	\$3,250,000
It cost to run it in 1889, .....	524,000
It earned in 1889, .....	681,000
It paid clear profit to stockholders, .....	157,000

It pays about \$300 yearly tax on gross earnings and capital stock in the Pennsylvania state treasury, nothing to the townships or the county of Tioga, whence all its business and through which 37½ of its 53 miles run. But 15½ miles of it passes through three townships—Smedley, Erwin and Cowing—in New York State. It pays to these townships, for local purposes, their roads, schools and poor, \$1,691, \$875 and \$1,552 respectively, or a sum total of \$4,138. Is it not evident that we must secure a revision of the state laws of Pennsylvania, that this revision shall be in the interest and for the relief of the owners of real estate, its farms and its homes.

We believe that the bill presented by the state commission, which accompanies this report, will afford us a just measure of relief, and will exact from the corporate and personal property, so well able to bear it, a portion of the necessary expense of supporting and maintaining the local government of the state.

LEONARD RHONE,  
GERARD C. BROWN,  
R. H. THOMAS,  
A. L. TAGGART,  
JAMES G. McSPARRAN.

ARGUMENT OF M. E. OLMSTED, ESQ., HARRISBURG, PA.,  
THE OPPOSITION TO SECTIONS 16, 17, 18 AND 19 OF THE  
REVENUE BILL (HOUSE BILL No. 210), BEFORE THE  
WAYS AND MEANS COMMITTEE OF THE HOUSE OF  
REPRESENTATIVES, FEBRUARY 19TH, 1891.

Mr. Chairman and Gentlemen of the Committee: The seventeenth article of the constitution of Pennsylvania, in its first section, declares that "all railroads and canals shall be public highways." That was no more than the enactment into the organic law of a principle which had long since been announced by the Supreme Court of this state, and upon which the legislature, from the foundation of this state government, has acted. It is because properties of this kind are public high-

ways, and because the corporations which are chartered by the state to operate them are quasi-public corporations, that such property has heretofore been declared to be exempt from taxation for local purposes. It is for that reason that these corporations are clothed with the power of eminent domain for the taking of private property, upon the payment of damages, for the laying of railroad tracks and the building of canals. Berm banks and lock-houses of canals are undoubtedly real estate in one sense, and so are the station houses of railroad companies, as well as the soil upon which the tracks and ties are laid. But so important was the principle of exempting public highways from taxation that the Supreme Court found it wise and necessary to hold that a general tax taxing all real estate under the general description of real estate should not be held to embrace property of this kind. In other words that the public policy and the interest of the public were so erty for local purposes that it was not to be presumed that the legislature decidedly against the taxation of such property, in a law which in general terms taxed all real estate, intended to include it; and so we find that as early as 1825, in the case of *Friley vs. The Schuylkill Bridge Company*, the court decided that a bridge was not taxable as real estate. And in the case of *Ridge Turnpike Company vs. Stoeber*, 6 W. and S. 378, it was held that the toll-houses of a turnpike company were to be considered as part of the public highway, they being necessarily incident to its operation.

And in the case of *Lehigh Coal and Navigation Company vs. Northampton County*, reported in 8 Watts & Sergeant (page 334), speaking of the lock-houses and collectors' offices necessary to the operation of the canal, Mr. Justice Kennedy, who delivered the opinion of the court, said:

"If they were to be taxed as lands and houses, it might, in some instance, prove a serious detriment to the public at large, as well as the owners of such property, \* \* \* and possibly from this consideration, as well as motives of public policy, the state has never intentionally, I apprehend, attempted to tax such property."

And again, in the case of the *Schuylkill Navigation Company vs. The Commissioners of Berks County*, reported in 11 Penn'a, 202, Mr. Justice Rogers said:

"No person was ever so absurd as to suppose that a canal passing through several counties was the subject of taxation for county purposes. This was conceded, and as the canal itself was not liable to assessment as a whole, it was thought that a component part came within the same category; that the incident followed the principal: that part was of the same nature with the whole."

And it was, therefore, held in that case that the toll house so built as to be occupied, not merely as the collector's office, but also as his family residence, was included within the exemption.

Again, in *Wayne County vs. the Delaware and Hudson Canal Company*, 15 Pennsylvania, 351, the court went so far as to declare that houses and gardens occupied by lock-tenders and collectors and engineers of the canal must be held to be part of the canal and not taxable as real estate under the act of assembly taxing all real estate for local purposes.

And again, in *Railroad vs. Berks County*, 6 Pennsylvania, 70, the same doctrine was applied to railroad property, it being held that



whatever was appurtenant and indispensable to the construction and use of the road, was exempt from taxation for local purposes.

Now, I just want to read to you the language of Judge Bradley, of the Supreme Court of the United States, in *Chicago, Milwaukee and St. Paul Railway Company vs. Minnesota*, 134 *United States*, 418.

He says (p. 461) :

"When a railroad company is chartered it is for the purpose of performing a duty which belongs to the state itself. It is chartered as an agent of the state for furnishing public accommodation. The state might build its railroads if it saw fit. It is its duty and its prerogative to provide means of intercommunication between on part of its territory and another. And this duty is devolved upon the legislative department."

That is the language of one of the ablest jurists that ever sat upon the bench in this country.

Now, as you know, the State of Pennsylvania did originally find it so important to establish these public highways, these railroads and canals, that it did itself, at its own expense, construct and operate them for many years. It afterwards sold them to private corporations, upon which it conferred power to operate them, and it has chartered other corporations for the purpose of building other railroads and other canals. They are public highways. They are even more important highways, I need not say, than the wagon roads of the commonwealth, the streets of the cities and the country roads and highways generally. And yet, by this bill, you propose to value these public highways at so much per mile and assess a tax upon them for county purposes. You might almost as well, it seems to me, require the assessment of the public road leading from here to Philadelphia at a total valuation, and cut the same into miles and tax it for county purposes. It is upon the same principle and only one degree removed from the taxation of court houses, school houses and other property which is constructed under public law with the legislative sanction, for the public benefit.

How would you propose to collect this tax? I do not see the machinery in this bill. I find that a tax of four mills is to be assessed for county purposes. How is it to be collected in the event of failure or refusal of the corporation voluntarily to pay it? Section 19 says that for the collection of the tax the several county treasurers "shall have the same power and authority to collect the said taxes by levy and sale of the property as is given to tax collectors for the collection of taxes for local purposes by the laws of this commonwealth." It is doubtful if, without enumerating them, the legislature can constitutionally confer upon one set of officers the powers conferred by previous acts upon another. But passing that point, what are the purchasers to do with the section of road they may buy within a single county? It is manifest that a county treasurer cannot sell anything except what is within his own county. Would you sell—take for instance this county of Dauphin. Here is a strip of the Pennsylvania railroad running through this county. Suppose the tax were not paid to the county of Dauphin, would you have the county of Dauphin levy upon and sell that block or section of this road which crosses this county? Could that be done in every county? And if so, what would become of the great interest that the public has in the continuous and faithful operation of that public highway? I say that this is the next thing to taxing the streets and wagon roads of the commonwealth. In results it is even worse.

The public cannot be as well served by these railroads if they are cut into sections and sold out to different parties at tax sale.

It is true that there is this difference, that these public highways are under certain regulations and restrictions, operated by private corporations, and to a certain limited extent for purposes of private gain. I do not contend that these corporations should be exempt from taxation, but I do say that it is against public policy that these railways and canals, these public highways, shall be subject to levy and assessment and sale for purposes of local taxation. I say that public policy requires that these public corporations shall be taxed, if at all, only as they have always heretofore been taxed in this state, for the purposes of the state government only. When a railroad must be sold for taxes, let it be sold at the suit of the state only. Let it be sold as an entirety, so that it may be purchased as an entirety and so operated by the purchasers who, under existing laws, may re-organize with all the franchises possessed by the former company and continue the operation of the entire line without the loss of a day or the stoppage or suspension of a single train. Cut out and sell a single section and you destroy the efficiency of the whole line, to the great detriment of the public.

What is the argument upon which you are asked to deviate from this settled principle of public policy which has obtained in this commonwealth for, lo, these many years? Why, it is said that the agricultural regions of this commonwealth are suffering, that their burdens of taxation are great; in fact, we are told that they are greater than the burdens borne by railroad companies and corporations generally or by any other class of property. That is a proposition which I am here to refute, and I think I shall be able to do it to the satisfaction of the committee.

I have read the report of the majority of the revenue commission, containing certain estimates of the taxation of farm property. Without stopping to refer to it, I believe the average is placed at 12 to 15 mills throughout the commonwealth. These figures, I think, are altogether too high. In the first place there is, as you know, Mr. Chairman, and doubtless every member of the committee knows, great diversity and inequality in the valuation of such property throughout the commonwealth. In some counties it may be appraised at pretty nearly its actual value; but in other counties it is appraised at less than one-tenth. In those counties, of course, where the valuation is so low as one-tenth, the rate of taxation is proportionately higher. In order to obtain a tax of 7 mills upon the actual value, they are required to impose 70 mills upon the assessed value. If you take that 70 mills and average it against the 4 or 5 or 6 or 8 mills in some other county, and put them together in that way, you arrive at a very high average rate of taxation. But those figures, I think I will be able to show you, are entirely erroneous.

I commenced an investigation into the tax rates of the various counties, of agricultural property. Finding that a department of the state government had preceded me in that field, I called upon that department for such information as it had obtained. I addressed a communication to the secretary of the State Board of Agriculture. I will read you his reply.



"BOARD OF AGRICULTURE,  
"HARRISBURG, PA., February 16, 1891.

"HON. M. E. OLMSTED,

"Nos. 5 and 7 North Third Street, Harrisburg, Pa. :

"DEAR SIR: Your favor of even date, asking for information relating to the taxation of farm property in this state, at hand and duly noted. "The enclosed table will give you the tax rate in mills on the *actual value* of farms in the counties named; this data is obtained from various sources; in many cases the farms returned were valued at sheriffs' sales; in other cases they were valued by private sales; in others the value was obtained by appraisements to settle up estates; in other cases we have depended upon the county commissioners to give us the value *based upon their actual knowledge of the farms in question*; in all cases we have endeavored to obtain the actual value of the farm and the actual tax paid upon it. You will, of course, understand that the figures given, in some of the cases, are not complete because the amount of property as represented is not sufficient to enable us to base a satisfactory mill rate; for your guidance in this respect, I have added in pencil, *over* the name of the county, the number of farms upon which the mill rate, as stated, is based.

"Our object was directed almost exclusively to obtaining the tax rate upon farms at their actual value; I am not, therefore, able to fully answer your query in relation to the rate of taxation in boroughs and cities. Incidentally we have the official figures relating to tax rates in the boroughs of the counties of Chester and Crawford, and I have added them on a separate slip of paper.

"You will of course understand that we expect to carry this investigation still further, and that the figures given only represent the data *as we now have it*; in all cases except two the addition of further data decreased the tax rate; subsequent returns may somewhat change these figures and we, therefore, give them as imperfect and incomplete.

"Regretting that I am unable to furnish you with data relating to taxation in boroughs and cities, I am

"Respectfully yours,  
"THOMAS J. EDGE,  
"Secretary, etc."

In this statement which he has given me, there are reports from fifty-seven counties of this commonwealth. I take for instance the county of Northampton. There are reports from thirty-seven farms, and the result shows that the average rate upon the actual value of all taxes whatever, was 6.28 mills.

In Lehigh county reports from ninety-two farms showed an average taxation of 6.42 mills.

In Montour county one hundred and sixty-one farms reported showed an average taxation of 6.77 mills upon their actual value.

From York there were one hundred and seventeen reports showing 6.83. mills.

In Dauphin, fifteen reports showing 6.99 mills.

In Cumberland, one hundred and ninety-eight farms reported, showing an average taxation of 7.04 mills upon their actual value.

And so it goes through the whole list. The last one is Cameron county where the returns from thirteen farms showed that the farm land in that county is taxed at 20.32 mills upon its actual value, which is, of course, a very high rate. The high rate of that very small county balanced against Northampton county for instance, would give you 26 mills for the two, making an average of 13 mills, which I understand to be the method by which the revenue commission arrived at its figures. But that, as you will see, would be a very unfair way of arriving at an average, as Northampton has about forty times as much property, in value, as Cameron which is one of the smallest counties in the state, and one of the newest, and a county in which there are a great many

roads and a great many school houses to be built, and whose expenses for all local purposes are enormous.

In Montgomery county twenty farms returned showed a tax rate of 7.80 mills upon their actual value.

Mr. Edge in a subsequent letter says :

"Pardon me for omitting to give you the summary in my former letter. It is as follows :

"Total value of farms returned, \$14,649,553.

"Total amount of tax paid on same farms, \$114,773.42

"This would indicate an average taxation at the rate of 7.84 mills on their actual value.

These returns include fifty-seven counties of our state, and I believe that they not only include the county having the highest rate of taxation, but also the one having the lowest. The rates given include county and local taxes of *all kinds* on farms."

As showing the methods by which real estate is taxed throughout the commonwealth, I have here an official notice from the county commissioners of Lackawanna county to the assessors, with reference to the making of the last triennial assessment. It is under the seal of the county commissioners. I read simply this paragraph: "You will assess real estate and personal property at a full valuation, as the law directs, but *on the books that you return to this office enter only one-half of full valuation for county purposes.*" That is the way they do it in Lackawanna county.

Here is a similar notice from the county commissioners of Luzerne county. It is amusing as well as instructive, particularly in its classifications. It directs the assessors positively how they are to assess in certain matters. For instance, they are directed in assessing occupations, trades and professions to follow these directions :

"Laborers, drivers, watchmen, teamsters and waiters, .....	\$40
"Brakemen, donkey engineers, .....	50
"Firemen, printers, shoemakers, .....	60
"Miners, butchers (employés), section bosses, baggage makers, bakers, .....	70
"Clerks, teachers, telegraph operators, reporters, curriers, barbers, tinsmiths, cigarmakers, carpenters, blacksmiths, painters, .....	75
"Stationery engineers, upholsterers, wagonmakers, boiler-makers, bricklayers, machinists, masons, plasterers, stone-cutters, harnessmakers, clergymen, .....	80
"Bartenders, millers and conductors, .....	90
"Agents, gentlemen, musicians, constables, locomotive engineers, justices of the peace, book-keepers, cabinetmakers, grocers, dispatchers, foremen, .....	100
"Aldermen, bottlers, plumbers, peddlers, butchers (proprietors), liverymen, undertakers, jewelers, .....	125
"Attorneys, civil engineers, assistant superintendents, confecttioners, dentists, tanners, editors, .....	150
"Merchants, saloonists, restaurant keepers, .....	175"

I submit to those of the legal fraternity who are present that we are unequally taxed in that county as compared with other objects of taxation. A lawyer as you see ranks a little above a gentleman and a little lower than a "saloonist." It is a real genuine pleasure to find



ourselves classed with confectioners, tanners and editors, but it is unjust to make us pay more taxes than plumbers who get so large a share of our money while we live, and undertakers who take such large slices out of our estates when we are gone (continues reading):

"Architects, cashiers, druggists, commission and wholesale merchants, physicians, hotel keepers,.....	\$200
"Contractors, .....	250
"Brewers and superintendents, .....	300
"Bankers and coal barons, .....	400"

The word here is "operators," not "barons."

"In assessing horses you rate the average horse at \$30. Rate all horned cattle at \$10 each." If that is an excessive valuation, beef must be cheap in Luzerne.

"The commissioners would further suggest that in assessing all classes of real estate you estimate property at its actual value, and rate it for assessment purposes at one quarter of such actual value.

Now, Mr. Chairman, as coming from your own county, I quote from the *Pittsburgh Commercial*, of February 13, a report of the meeting of the county commissioners to fix the millage tax levy for 1891. I find there a statement that

"The triennial assessment is to be made this year and the assessors will be urged to make an equitable assessment. The commissioners will furnish them lists of sales for two years past of property in their respective districts, together with the prices paid. Great inequalities have heretofore prevailed, the valuation in some districts ranging from 50 to 100 per cent. of the real value. If the returns are too low this year the board of revision will have no hesitancy in increasing the valuation. By these means an equitable assessment is hoped for, and it is expected that as a result the millage next year can be reduced to two mills and still net the county a sufficient revenue."

I will state my own experience in Potter county, where I bought, within a year, a small lot of ground for which I paid \$1,400. It is in the borough of Coudersport. I took the trouble to look up my tax record, and found that that lot was assessed, not to me, but before I bought it, at \$125, and that the tax assessed thereon was 70 mills. It seemed perfectly frightful, and of course, if you add that 70 mills to 6 mills from some other county, and 8 from another, and use it in the general average, it makes up a very large average millage upon real estate, but when you consider that it was assessed upon one-eleventh of its actual value, it brings my actual tax down to between 6 and 7 mills, and I find that I have no occasion to complain.

These statistics, Mr. Chairman, are the most reliable, I think, that have been offered upon this subject. They are certainly more to be depended upon than general estimates taken from the assessment lists, which do not show the actual value of the property taxed, and in which assessments they are included at all the way from half of the actual value to perhaps 80 per cent. of it.

I want to show you that on the other hand corporations are assessed, when they come to pay taxes, at the actual value. Corporations, as you know, are required, particularly railroad and canal corporations, and transportation companies of all kinds, to report their capital stock to the Auditor General annually, and if they pay no dividends, or if the dividends paid amount to less than 6 per cent., they are required

to appraise that capital stock at its value as it existed between the first and fifteenth days of November. I have heard it stated here that corporate property is not taxed at its actual value. As showing the contrary to that statement, I will call attention to the return of the Lehigh Valley Railroad Company for the year 1890, as filed in the Auditor General's office, and of which I have here a copy certified under the hand and seal of the Auditor General. The treasurer and secretary being sworn according to law appraised the common stock, 806,696 shares, at \$52.42 $\frac{7}{10}$  per share, amounting in the whole to \$42,292,651.19, \$52.42 $\frac{7}{10}$  per share. That is, between the first and fifteenth days of November, 1890. I hold in my hand the *Philadelphia Press* of November 8, 1890, in which Lehigh Valley stock is reported at \$49 $\frac{3}{4}$  per share bid, and \$50 asked. That is to say, it was offered at \$50 per share in the market. We have appraised the whole stock at \$52.42 per share. As we have appraised the stock at 5 per cent. above the price for which it sells in the market, that company at least cannot be accused of undervaluation.

Mr. TAGGART. That was for last year?

Mr. OLMSTED. 1890. The price when we made that report was \$50 a share, and we appraised it at \$52 and more.

Mr. TAGGART. But it was \$55 at the beginning of the year.

Mr. OLMSTED. It may have been. The average price was about \$52, and we must appraise it at the average price. That disposes of the statement that corporations of this kind are permitted to appraise their stock below its actual value. If any corporation should appraise below actual value, the Auditor General has ample power to raise the appraisement to suit himself, and I am very sure that while Auditor General McCamant and Corporation Clerk Glenn are in charge of matters, there will be no corporation escape upon an undervaluation of its capital stock.

As showing you how railroad property is affected, it occurs to me to show you how the People's Passenger Railway Company of Philadelphia is taxed. That company has \$8.33 paid in on each share of its capital stock. By some sort of fictitious boom the price of that stock was run up in that year—1890—to \$67 a share, with only \$8.33 paid in. It was not worth any such sum, and those figures lasted only a few days. There probably were no genuine sales. They were stock exchange transactions, and the stock suddenly dropped to something below \$40, at which price it rules now. It was offered at \$43 between the first and fifteenth days of November. Yet this company had to appraise it and pay a tax upon it at \$53.25 a share, and only \$8.33 paid in.

Mr. TAGGART. That was the average price for the year?

Mr. OLMSTED. That was the average stock quotation price.

Mr. TAGGART. Sales?

Mr. OLMSTED. The sales of a few shares, perhaps, if there were any genuine sales at all. And yet we have to pay a tax of three mills upon the appraised value of that stock—over twenty mills on the amount of capital paid in. We have to pay tax on a valuation twenty-five per cent. above what the stock could actually be sold for.

As showing you how coal companies are affected—I have here the account of the Parrish Coal Company for 1888. That company is taking out its coal. Every time it takes out a ton of coal it takes out part of the body of the property. The president of the company, Mr. Charles Parrish, accompanies his report to the Auditor General with a state-



ment to the effect that in four or five years the entire value of the property will be gone. They took out this coal, however, and they divided the proceeds, which amounted to 78½ per cent. of their whole capital, and they are taxed 39½ mills on their capital. Although its actual value in two or three years will have faded away, they pay 39½ mills upon the par of the stock as it existed before that amount of value was taken out. Certainly that company cannot be accused of escaping its fair burden of taxation, particularly in view of the fact that its property, and that of every coal company, and of every manufacturing company, and every real estate company, and every other species of corporations except—and even railroad and canal companies are included so far as any property they may have independent from the railroad itself and property essential to its operation, such as stations and lock-houses—all that property is taxable just the same as farm property, and it is all taxed just the same for local purposes, except that we have observed that ordinarily the assessors incline to put a higher valuation upon property owned by corporations than they do upon that owned by individuals.

Mr. TAGGART. That is the reason the Parrish Coal Company pays 39 mills?

Mr. OLMSTED. No. That is the state tax alone. They pay that in addition to local taxes. They pay 39 mills right straight into the state treasury for state purposes, and in addition to that they pay precisely the same local taxes as other property in that country, except that their property is assessed at a higher rate of valuation than real estate belonging to individuals.

Mr. FINLEY. That is by reason of the tax on earnings?

Mr. OLMSTED. Yes; that is the state tax based on the dividend, the dividends, however, being taken out of the body of the property rather than out of actual profits.

As showing the local taxes which corporations pay, I will give you the figures paid by the Delaware and Hudson Canal Company of local taxes in the counties of Lackawanna, Luzerne, Wayne and Pike. Their local taxes for the year 1890—county, city, school, poor, road and borough—amounted to \$68,980.11, in addition to the three-mill tax which they paid to the state for state purposes upon their capital stock, and the 3 mills upon loans and 8 mills upon gross receipts.

Mr. TAGGART. That is on real estate which they own?

Mr. OLMSTED. On real estate which they own. Railroads, as I have explained, pay either a three-mill tax upon the appraised value of their capital stock—its actual value, it cannot be assessed below its actual value, and in many cases it is above, as in this coal company's case—or, if the dividends exceed 6 per cent., the tax is still higher. If they pay 8 per cent. dividend, the tax is 4 mills; if 10 per cent., 5 mills, and so on.

Now, there are not many railroad companies, unfortunately, which pay such dividends, and the ones which do are chiefly companies which were fortunate enough to lease their roads in better times to other corporations which, by reason of the contract, have to continue to pay the rentals. In addition to the capital stock tax of 3 mills, they must pay a tax of 8 mills upon their gross receipts from business wholly within this state. In addition to that they are required by law to deduct from the interest which they pay to their bondholders a further tax of 3 mills. In theory, of course, that tax is imposed upon the bond in the hands of the bondholders; but as an actual fact it comes out of the treasury

of the corporation, because either the corporation must agree in the bond to pay a certain rate of interest without deduction for taxes, or else it must sell its bond at a greatly reduced price. Either way you put it, the corporation foots the bill. There you have 3 mills on capital stock, 8 mills on gross receipts, and 3 mills on loans issued by the company. In other words, they tax us not only for what we have and what we receive, but also for what we owe.

Further than that, we are required, in many instances, to duplicate these taxes over and over and over again. For instance, for many years the Lehigh Valley Railroad Company owned all the preferred capital stock of the Pennsylvania and New York Canal and Railroad Company. That company paid a dividend and was required to pay a tax to the state on that account.

The dividend went into the treasury of the Lehigh Valley Railroad Company, which, in turn, divided it among its own stockholders, and again paid a tax to the state in its own name upon these same profits; so that the taxes were paid twice over on that property, and for a series of years were duplicated to the extent of \$20,000 per annum. Many railroad companies own stocks of other roads, frequently for the purpose of controlling and getting rates, and sometimes for the purpose of controlling freight over them or obtaining and securing freight for their own roads. Thus they are taxed over and over again, sometimes two and sometimes three times.

Furthermore, as was suggested the other evening during the remarks of Colonel Jordan, I think the suggestion came in answer to a question from my friend from Cameron county, Captain Johnson, these bonds which are issued by railroad companies and upon which they must pay the tax really represent their investment in roads in other states.

Take the Pennsylvania Railroad Company. It has issued millions of dollars of its own bonds for the purpose of investing that money in roads which it has constructed in other states. So the Lehigh Valley Railroad Company has issued its own bonds to the extent of millions of dollars for the purpose of constructing railroads in states outside of Pennsylvania. And so in the case of the Delaware and Hudson Canal Company, when you tax its capital stock and bonds you affect 942.77 miles of railroad and canal of which only 63.28 are in Pennsylvania. The bonds represent all that property. That is to say, they represent capital which has gone into the construction of that property.

Mr. TAGGART. It is only bonds held in this state that are taxable here.

Mr. OLMSTED. Only bonds that are held in this state. I am obliged for that suggestion. It is that fact which works still greater injustice and more unequal taxation upon clients which I represent. You take the Lehigh Valley Railroad Company, the greater proportion of its bonds are held in the state. It is therefore liable to the state for the tax. You take its neighbor—I could mention another corporation that has as many miles of railroad in this state as the Lehigh Valley, and, perhaps, as valuable, and over which nearly as much traffic passes. It has not a dollar of bonds held in this state. They are all held in foreign countries. That corporation doesn't have to pay a cent of tax into the state treasury in respect of those bonds, while the taxes assessed against the Lehigh Valley Railroad Company upon its bonds amounts to about \$78,000 I think. That is an inequality in the present law.

The Delaware, Lackawanna and Western Railroad Company has a capital stock of \$26,200,000. It owns a vast system of railroads, own



and leases miles of road extending from the city of New York to the city of Buffalo, through New Jersey, Pennsylvania and New York. Yet it pays to the State of Pennsylvania a tax upon its entire capital stock and a further tax upon every bond owned in this state.

A MEMBER OF THE COMMITTEE. Will the gentleman please to give the value of the Delaware, Lackawanna and Western stock in the market?

MR. OLMSTED. I think it sells at—the paper I have here gives quotations on the Philadelphia Exchange, and may give the price of that stock. (Reading) \$127 $\frac{1}{4}$ —27 per cent. above par.

I have here before me the report of the Secretary of Internal Affairs for 1889, and I read from the answers given to the circulars sent out to the commissioners and to other parties throughout the various counties of the commonwealth for the purpose of ascertaining the reduction in the average price of farm products for a series of years. According to these answers, I find that while the price of some products has increased considerably, yet on the average there has been a reduction of from 20 to 30 per cent. in the last ten or fifteen years. That is undoubtedly true, and our friends the farmers, are suffering to that extent. But let me show you that they are not alone in that particular. Let me show you, for instance, how railroad companies fare in these times. In 1868 the average charge collected by the Lehigh Valley Railroad Company, for both through and local freight, was 2.62 cents per ton per mile; in 1876 it still remained about the same. In 1886 it was 1.05 cents per ton per mile; in 1887, .95 of a cent per mile; in 1888, 1.09 cents per mile. The figures for 1889 and 1890, I understand are still lower, but I do not have them accurately. So you see that we have suffered a reduction of more than 50 per cent. in the price which we charge the farmers and to others and we have—

A MEMBER OF THE COMMITTEE. Have your dividends correspondingly fallen?

MR. OLMSTED. I am glad for the suggestion and will answer the question. I hold in my hand a statement of the dividends paid by that company for each year from 1868 to 1890 inclusive. From 1868 to 1875 inclusive they paid 10 per cent. each year; in 1876, 12 per cent.; in 1880, 4 per cent.; in 1882 they go up to 6 per cent.; in 1883, 8 per cent., the same in 1884 and 1885, and in 1886, 4 per cent., and for the last three years 5 per cent. each, so that we have suffered in dividends a reduction of 50 per cent.

MR. WHERRY. How about the relation between your net and gross receipts for the same period?

MR. OLMSTED. I haven't got the figures for the gross receipts, but I may say that in declaring the dividend last year, we just squeezed through and were just barely able to pay the 5 per cent. We carry a great many more tons of freight now than we did in the earlier years, but at prices so exceedingly reduced that we can only make one-half the dividends which we did a few years ago.

MR. WHERRY. How much did you put into betterments last year?

MR. OLMSTED. Just about enough to keep the track in repair. Whatever goes into betterments is included in the cost of construction and does not go into the maintenance of the lines.

MR. TAGGART. A large amount was paid for betterments?

MR. OLMSTED. We borrowed money last year to put into betterments.

The Lehigh Valley Railroad Company, which manages to make 5

per cent. dividends is, as you know, one of the best and most successfully managed railroads in this country. According to the statistical report of the Interstate Commerce Commission for 1889, which I hold in my hand, 61.67 per cent. of the capital stock of all the railroads in the country paid no dividends whatever. That capital stock which received no dividends whatever amounted to \$2,624,439,792.

A MEMBER OF THE COMMITTEE. Does that embrace the South Penn?

MR. OLMSTED. That only included railroads in operation. \$82,000,000 received under one per cent.; \$62,000,000 between one and two. Sixty-one per cent. of all the capital stock invested in railroads received no return whatever, and 8 per cent. more received less than 4 per cent., and the few remaining per cents received various sums from 4 to 10 per cent. You will find a table of dividends received on page 29.

I wish I had with me the railroad report of this state which I intended to bring—the railroad report for 1888—I think that is the last one.

(At this point a messenger was sent out to obtain the railroad report for 1888).

Our agricultural friends complain of hard times, but running a Pennsylvania farm is a big bonanza as compared with running most railroads in these times. Take as an illustration a company which I have the honor to represent in company with my friend and colleague, Mr. Hancock, who is here, the Western New York and Pennsylvania Railroad Company. Its road is built through a portion of the county represented by Captain Johnson, and a portion of the county of Potter, in which I originally lived, and I am, therefore, somewhat familiar with it. The main line from Emporium to Buffalo was built a number of years ago to the great enhancement of the property of the counties through which it ran; so that property in Potter county which could not be sold for \$5.00 an acre immediately became worth \$25 at least, and in Cameron, I have no doubt, the value was equally increased. It had a branch originally built by the Oil Creek and Allegheny River Railroad Company running down into the oil region, which, for number of a years, paid 10 per cent. dividends, until the oil mostly vanished and pipe lines came in and carried away what remained at prices so low that the railroad company could not compete, and it ceased to pay dividends. The company has 840.05 miles of road, of which 430.86 are in Pennsylvania, a capital stock of \$30,000,000 and a debt of \$29,000,000. It is unable to pay the interest upon all of its bonds, and the stockholders have never yet, in this consolidated company, received a cent of return. I happen to be myself so unfortunate as to hold a hundred shares and the only dividend I have ever received is what is commonly known as an "Irish dividend;" that is to say, I had to pay to the company instead of getting something from the company. It cost me \$200 on my hundred shares to keep the company from going out of existence entirely. Now, that company which is struggling along doing the best it can for the interest of the commonwealth, would be taxed very heavily under this bill. The stockholders and bondholders who have gone without dividends and without interest for all these years would certainly have to pay the taxes. I do not see how they could keep the company in existence unless they would still further pay personally out of their pockets these taxes, for that is where it would come from in the end. That is a case of exceeding great injustice.

MR. TAGGART. They pay a larger amount in New York under the New York law.



Mr. OLMSTED. Upon that point my friend, Mr. Hancock, can inform you better than I; but I believe that taxes imposed there for state purposes are just one-half of our state taxes. What taxes they may pay for local purposes I am unable to say.

Mr. HANCOCK. Our tax upon gross receipts is 5 mills, and on stock it is one and one-half mills, and no tax upon bonds whatever.

Mr. TAGGART. You are taxed for local purposes?

Mr. HANCOCK. The tax for local purposes is just as you propose to make it—upon the real estate. That is the difference between the New York law and the Pennsylvania law in this respect. In Pennsylvania we get merely the right of way. In New York we take the land upon which the road is built in fee, and then pay tax upon it as real estate.

Mr. TAGGART. Usually at the rate of about \$15,000 a mile?

Mr. HANCOCK. Our road will average about \$7,000 a mile—from five to seven.

Mr. TAGGART. In Pennsylvania there has been no difference because, by the decisions of the court, the road bed is not taxed anyhow where they own any.

Mr. HANCOCK. It would depend in Pennsylvania for what purpose you use it. Anything that is necessary for the operation of a road is not taxable.

Mr. TAGGART. I know that in our county they bought the land in fee, but it made no difference in the tax.

(A railroad report for 1888 having been handed to Mr. Olmsted.)

Mr. OLMSTED. I just want to show you how Pennsylvania railroads fare in the matter of returns to shareholders. The Addison and Northern Railroad Company, the first on the list, with a capital paid in of \$29,000—that is a little road—paid no dividends. The Allegheny Valley Railroad Company paid no dividend upon its \$2,166,500 of stock.

The Arnot and Pine Creek paid 5 per cent.

The Baltimore and Cumberland Valley nothing.

The Beech Creek Railroad Company, with \$5,000,000 of capital stock, paid 5 per cent. upon its \$1,300,000 preferred stock, and nothing whatever upon its \$3,700,000 of common.

Here is a long string of companies with many millions of capital invested which paid not one cent of dividends. For instance, the Buffalo, Rochester and Pittsburgh Company has \$12,000,000 of capital stock paid in. The stockholders have never received a farthing in the way of dividends. The Erie and Wyoming Valley with \$3,000,000 of capital paid no dividends, and the New York, Susquehanna and Western Railroad Company paid nothing upon its \$21,000,000 of capital paid in.

Out of two hundred and forty-three railroad companies which paid tax to the state in 1888, only sixty-two paid any dividends to stockholders, and of those at least twenty-three were companies whose lines had been, in more prosperous times, leased to other companies for fixed rentals.

I will not stop to go through this list, but if you will take the pains to do so you will find that the railroads operating in Pennsylvania do not average 2 per cent. in dividends upon their capital stock paid in.

I want to show you, in a word, how the tax contemplated in the seventeenth section of this bill will operate. It is in the cities and boroughs that real estate taxation is heaviest. We have to pay for street paving, and for street lighting, and for water and for a great variety of other purposes for which taxation is not imposed in the

country districts. It is in the cities that the property of corporations is most valuable. You take, for instance, the Pennsylvania Railroad Company. Its property in Philadelphia, a very few miles in length—three or four, perhaps—cost more than any other twenty miles of road; yes, than any fifty miles, through the country districts; yet by this bill you make one appraisalment of the company's entire property and cut it up into counties. You actually give to the county of Indiana where the road runs through the woods its proportionate part of the exceeding great value of this company's terminal facilities in Philadelphia. I confess I do not see why any member from any city or from any town or borough should vote in favor of this bill, which taxes property in his city, town or borough for the benefit of remote districts.

And again, this bill proposes to include in that valuation moneys and credits. It is a fact with which those of you who are lawyers, and with which my friend Judge Kirkpatrick, who has just retired from the Attorney General's office, is very familiar, for we have discussed it and fought over it more or less—the decision of the Supreme Court in 15 Wallace in the *Case of the State Tax on Foreign-held Bonds*, where it is held that such property is taxable only at the residence of the holder. It is supposed to follow the person holder, and where that holder is a corporation it is supposed to be and exist at its general place of business—its general office. That is to say, in the case of the Pennsylvania Railroad Company, or the Lehigh Valley Railroad Company, in Philadelphia. For this reason our general revenue law requiring corporations to report for taxation the mortgages they own requires them to report to the assessors in the county in which the general office is located. (See first proviso to sec. 2, act June 10, 1889, P. L. 421.) These railroad companies hold millions of dollars of securities—moneys and credits. You put them into the general valuation, and instead of giving that valuation to the cities in which the most valuable property is located and which do contribute so largely to the business of the road, this bill proposes to spread that out over the counties where these securities are not taxable. How does that operate? How do you expect that to operate in the case of the Delaware and Hudson Canal Company, for instance, or Pullman's Palace Car Company, which is affected by this bill? The Delaware and Hudson Canal Company is a corporation of the State of New York. Its moneys and credits are taxable there and there alone; yet you propose by this bill to add them to the valuation, and divide it among the counties of Pennsylvania in which its lines are located. You propose that Pike and Wayne counties in Pennsylvania shall tax property which the United States Supreme Court has said can be lawfully taxed only in New York.

The Pullman Company has its headquarters in Chicago. You propose to value and tax its rolling stock in transit through the State of Pennsylvania and engaged in interstate commerce. This I say you have no right to do. We have a case pending in the Supreme Court of the United States, the question being, whether this state has the right to tax at all rolling stock which is brought into the state for the purpose of interstate transportation, as the Pullman cars are brought. The State of Pennsylvania sought to tax the capital stock of the Pullman Company representing those cars. The Supreme Court of the United States heard the case argued, and after some months ordered a re-argument which was also heard more than a year ago and the court has as yet been unable to reach a conclusion. If there is so much doubt as



to the right of the state to tax the capital stock, there is none at all as to the illegality of an attempt on the part of the counties to tax the cars themselves for county purposes. I say that you have no right to tax that rolling stock at all. It is a regulation of commerce which the states are not permitted to make, but which is by the constitution left entirely with congress.

Further than that, you add to the valuation of that rolling stock the moneys and credits owned by that company in the city of Chicago, and you propose to divide them for taxation among the counties in Pennsylvania through which Pullman cars run. That is nearly every county in the state. That, I say, you can't do. The Constitution of the United States forbids it. This bill also would actually require the whole town of Pullman, Illinois, to be added to the valuation for assessment in the Pennsylvania companies, a proposition too absurd to be seriously discussed. Before a valid tax can be levied the state must have jurisdiction either of the owner or of the thing taxed. Here it has neither.

I will consume your time but a few minutes more. There is not the urgent necessity for this revenue which we have been led to believe. That the agricultural regions are depressed is unfortunately true. That other interests are depressed is equally true. It is only by the strictest economy in these days that any corporation or any individual can make both ends meet.

The reduction in farm prices and in farm lands is not greater than it is in corporate dividends, and in the valuation of corporate stocks. The Auditor General, and the Governor in his message, advise against, at least they do not recommend, this system of taxation. The Auditor General particularly advised against it. He said, and I think the figures I have given you bear him out, that railroad companies pay the heaviest taxes. They did point out how the counties could be relieved by the diversion of money now coming into the state treasury for other purposes, to the counties for county purposes. They pointed out how great relief could be had in that direction. And I may call your attention to the fact that a decision rendered a few days since will make a very material difference in the revenue of the state, and permit still further diversion of state money for local benefits. I refer to a decision by the Dauphin county court in the case of the East Bangor Slate Company. The opinion is written by Judge McPherson, in which it is understood that Judge Simonton concurred, so that it is the unanimous opinion of that court, to the effect that manufacturing companies whose business is in part mining, or anything aside from manufacturing, are no longer exempt from taxation, even as to the part of their capital which is invested in the manufacturing business. Under the act of 1885 it was held by the courts that if a company was engaged in manufacturing and also in mining, the proportion of its capital invested in manufacturing was exempt, and that engaged in mining was to be taxed. The Supreme Court sustained that doctrine in the cases of the Lackawanna Iron and Coal Company, and the Mahoning Rolling Mill Company, and in a number of other cases. But the act of 1889 exempts only corporations organized *exclusively* for manufacturing purposes, and upon that word "exclusively" the court has hinged a decision which requires every such company to pay upon its entire capital stock. As you all know, most of the large manufacturing companies, the Lackawanna Iron and Coal Company, Cambria Iron Company, Pennsylvania Steel Company, and in fact almost every large manu-

facturing corporation in the state has some capital invested either in mining, or in purchasing and selling, or some department outside of its strictly manufacturing business. Under this decision they must all pay upon their entire capital stock, with no exemption whatever, and I should say that that would increase the revenue of the state anywhere from \$300,000 to \$500,000 per annum.

But if further taxation is necessary, or if it should be found that the railroad companies ought to pay more taxes, then I say that the proper way is to impose it for state purposes—increase their burdens for state taxes if it must be done at all, and do it in such way that the taxation imposed falls equally upon all of them. I do not think any railroad company wishes to escape from its fair share of taxation. They realize that they must pay the expenses of the state government, and so that the tax fall equally upon them I do not think they will ever object to a fair share of the taxes. But they do not want to pay all the taxes. I think that taxation should be imposed upon these corporations—upon these public highways—only for the interest of the general public—the commonwealth herself, and if the commonwealth has too much herself she may divert still further portions of her revenue to the counties for local purposes. Let it be done in that manner. Do not attempt to cut up these public highways into sections and put them in position to be so sold out for local taxes.

Mr. WHERRY. Your fundamental principle, or, rather, your first principle, is that this tax is contrary to public policy.

Mr. OLMSTED. Yes, sir.

Mr. WHERRY. Who forms public policy in Pennsylvania, the Supreme Court or the legislature?

Mr. OLMSTED. To a certain extent it is the province of the legislature to declare what shall be considered public policy.

Mr. WHERRY. Is it not exclusively so?

Mr. OLMSTED. The legislature is subject to—

Mr. WHERRY. The limitations of the constitution?

Mr. OLMSTED. Certain limitations; yes, sir.

Mr. WHERRY. What business has the Supreme Court to declare what is public policy?

Mr. OLMSTED. Perhaps it would be a little presumptuous in me to determine what business the Supreme Court has to do with the things that it has already done. But the men who sit upon the supreme bench have always been men of great learning and wisdom.

Mr. WHERRY. Is public policy to-day the same as public policy was twenty-five or fifty or a hundred years ago?

Mr. OLMSTED. In respect of having the public highways under the control of the state and subject only to regulation by the state, or to sale by the state, or to taxation by the state, I should say it is.

Mr. WHERRY. You said the state built the first railroad that was built in Pennsylvania. It was public policy then that the state should own and control. Public policy was shifted and the railroad was put in the hands of private corporations.

Mr. OLMSTED. Public policy is not now deemed to require the public to own and operate these public highways, but it is that they shall be in the hands of corporations selected and incorporated by the state for that purpose.

Mr. WHERRY. I simply wanted to show you that public policy is shifting, just as public opinion, on every question. The legislature deter-



mines public policy and in answer to public sentiment in the communities.

Mr. OLMSTED. If—

Mr. WHERRY. Then your argument goes for nothing.

Mr. OLMSTED. I'd like to make my answer before the argument goes. If the legislature should say emphatically that these public highways should be taxed, the Supreme Court could not, of its own motion, and in its own wisdom say otherwise, unless they found it to impinge upon some constitutional provision. I made the argument I did to show that it was believed to be so contrary to the public interest and the public welfare to tax public highways as real estate, that the Supreme Court would not presume it to have been intended even where the language of the statute included all real estate.

Mr. WHERRY. Unless the legislative intent was clearly expressed.

Mr. OLMSTED. Yes. The legislature, subject to constitutional limitations, may declare such property taxable. But it will not follow that it is good policy nor to the public interest so to tax it.

Mr. WHERRY. Now as to your second point, and I think there you give away your whole case.

Mr. OLMSTED. That was not my intention.

Mr. WHERRY. Your second point is that the railroads pay more taxes than real estate, and if it could be shown that real estate does pay more taxes than railroad, then you would say that the state should increase the tax upon railroads. In other words, you admit that the burden of taxation should rest equally upon these various kinds of property.

Mr. OLMSTED. I think you have missed my argument a little. I would not even in that event, be willing to concede that public policy required or permitted the taxation of these public highways in sections.

Mr. WHERRY. I said, under the state tax system you admit that the burden of government should fall equally upon corporate property and real estate.

Mr. OLMSTED. All things being taken into consideration. I am not here to say that a corporation, by reason of its being a corporation, should pay less tax than an individual.

Mr. WHERRY. You say that railroad property pays more taxes than real estate?

Mr. OLMSTED. I have attempted to show that it does.

Mr. WHERRY. Now, if the gentlemen on the other side represented by that gentleman behind me can show that real estate pays more tax than railroad properties, then you will admit that the tax upon railroads should be increased?

Mr. OLMSTED. If it be the policy of the state that they should pay more taxes, but not in this manner.

Mr. WHERRY. You do not find fault with the proposition that railroads should pay equally with real estate.

Mr. OLMSTED. There may be reasons why railroads should not pay as much as individuals, as individuals have advantages that railroads do not have. I do not think that a strip of ground occupied by ties and rails, and which has no benefit from street improvements or water taxes or road taxes, or, possibly, from school taxes—there may be very good arguments why it should not pay that kind of taxes.

Mr. WHERRY. From whom does the railroad collect its revenues?

Mr. OLMSTED. It derives all its receipts from those who use it.

Mr. WHERRY. From the shippers; and no matter what burdens may be placed upon them they have a right to diffuse those burdens.

Mr. OLMSTED. They may have the right and still be unable to exercise that right.

Mr. WHERRY. Now, where and how are the prices of agricultural products determined?

Mr. OLMSTED. I suppose the price is determined by the market.

Mr. WHERRY. Which market?

Mr. OLMSTED. The market in which they are sold.

Mr. WHERRY. It may be the American market and it may be a foreign market. Don't you know, Mr. Olmsted, that the market for every bushel of wheat and every pound of meat is determined in the foreign market?

Mr. OLMSTED. I do not know that it is absolutely so determined there, but it doubtless is affected.

Mr. WHERRY. So, then, when a tax of 15 mills is levied on railroad corporations, it can collect that tax from those who patronize its road, it can diffuse it among its shippers. But the real estate owner, where can he diffuse the tax?

Mr. OLMSTED. The railroad company cannot diffuse its expenses upon shippers from other states.

Mr. WHERRY. Certainly, but we are speaking of shippers in Pennsylvania, and we are speaking of producers in Pennsylvania.

Mr. OLMSTED. But a railroad company cannot diffuse its expenses among its shippers if its shippers are interstate shippers.

Mr. WHERRY. But it can tax those taxes upon shipper in Pennsylvania, and it does; yet the producer of agricultural products cannot tax his taxes out of his consumers.

Mr. OLMSTED. I do not think, for instance, that the Western New York and Pennsylvania Railroad Company could recoup its taxes out of its shippers for the taxes it pays. They could not increase their rates one farthing.

Mr. WHERRY. Neither could a bankrupt farmer produce his products if he was bankrupted.

Mr. OLMSTED. The ground would still yield its fruits. He might lease it.

Mr. WHERRY. But a bankrupt farmer cannot work his farm. That is as clear as daylight. Now, you want to know how they would be compelled to pay this tax. How do they collect it in the State of New York?

Mr. OLMSTED. I do not know.

Mr. WHERRY. Is there any reason why the powers of the Commonwealth should not be great enough to collect it?

Mr. OLMSTED. I have no doubt as to the power of the commonwealth to collect it. My argument was addressed to the wisdom of allowing the counties to collect it. The question was as to the wisdom of permitting the counties to levy upon and sell out these railroads in sections.

Mr. WHERRY. I thought you questioned the power.

Mr. OLMSTED. Oh, no. Not in so far as the tax is constitutionally laid.

Mr. WHERRY. Another question. Do you hold that the taxes of the city and borough for light and water are taxes?

Mr. OLMSTED. They are assessed as taxes in some cities.

Mr. WHERRY. Well, as a fact, are they taxes in the sense in which we discuss the question of taxes here?

Mr. OLMSTED. Of course, that is a question open to dispute. A



city has the right to tax its inhabitants for the supply of water and light.

Mr. WHERRY. What do they get for it? Do you know of a rural district in the commonwealth that would not be glad to pay for just such privileges of light and water as are furnished in the cities and boroughs?

Mr. OLMSTED. Possibly they would, but I do not see why a railroad company should pay for light and water for the inhabitants of the cities and boroughs. I do not see why a railroad running through the country should pay for my light and my water.

Mr. WHERRY. You objected a moment ago to taxing cities for the benefit of the rural districts. Your argument won't work both ways.

Mr. OLMSTED. If you ask why the railroads should pay that tax, I say there is no reason why they should pay the heavy taxes necessary for the purposes of a city. Neither is there any reason why railroad property in a city should be taxed for the benefit of a remote country district.

MEMBER OF THE COMMITTEE. I understand that the position is taken that there is no machinery in the bill for collecting this tax.

Mr. OLMSTED. I suppose it would be by levy and sale of the property, and my argument was directed to the unwisdom of such proceedings whereby a railroad, instead of being sold as an entirety, would be cut up into fragments, greatly to the public detriment, whereas for a state tax it would be sold in its entirety and, for the purpose of serving the public, would remain intact. The property, if sold for state taxes, would be sold as an entirety—all the property in the state, and the franchises—and the law provides how the purchasers may be reorganized and a new corporation formed, so that the public service would not stop for a day.

MEMBER OF THE COMMITTEE. If you sell the real estate within the county, you stop that part of the whole line?

Mr. OLMSTED. If you sell the whole line you won't stop it for an instant, whereas, if one county should sell the portion lying within its borders for taxes, and another county the portion lying within its borders, you would have one party owning part of the line and another party owning another part.

MEMBER OF THE COMMITTEE. Would not they be willing to come together and run the line in harmony?

Mr. OLMSTED. I do not know whether they would or not. I think I know some people who would be very willing to buy a section of the Lehigh Valley railroad who would not be willing to operate it in harmony with the balance of the road.

MEMBER OF THE COMMITTEE. Would not they be compelled to operate the line or forfeit their charter?

Mr. OLMSTED. I know plenty of people who would buy a section and be glad to lose all the money they put into it if they would by so doing prevent the present successful competition of the Lehigh Valley line. But it is not to the interest of the state to have that done.

MEMBER OF THE COMMITTEE. Could not the state operate it?

Mr. OLMSTED. I think you would have a very curious state of affairs if you had the state operating the middle of a road and several companies operating the ends of it. It is the proposition contained in this bill, and I say it is a very absurd proposition.

A MEMBER OF THE COMMITTEE. It is in the bill that they are to be

taxed for county purposes, and if the tax can be collected at all it would be collected in the way it is collected on property.

Mr. OLMSTED. The same as in the collection of tax upon real estate. If these taxes should not be paid they can be returned to the county commissioners and become liens upon the real estate.

A MEMBER OF THE COMMITTEE. Would there be any objection to its being done in this way upon railroads?

Mr. OLMSTED. There would be no objection if the lien would be upon the whole road, and the whole road sold together. My objection is to cutting the railroad into sections.

A MEMBER OF THE COMMITTEE. Do you think there is any possibility of the Lehigh Valley Railroad Company refusing to pay the taxes assessed against it?

Mr. OLMSTED. The Lehigh Valley Railroad Company is a pretty faithful taxpayer. It never has required the state or any locality to go to that length; but there are roads which would be absolutely unable to pay this tax. I don't know where the Western New York and Pennsylvania Railroad Company to-day would get money to pay this tax if it had to pay it.

A MEMBER OF THE COMMITTEE. Are a railroad company's bonds subject to tax in Pennsylvania and other states at the same time—the same bond?

Mr. OLMSTED. No, sir. A bond owned in Pennsylvania is subject to taxation here, no matter where the railroad is. A bond owned in another state is subject to taxation in that state where the owner resides.

A MEMBER OF THE COMMITTEE. But the same bond would not be subject to taxation in two states at the same time?

Mr. OLMSTED. No. And so I say that a bond, for instance, owned by the Delaware and Hudson Canal Company, or Pullman Palace Car Company, foreign corporations, cannot be added to the valuation, and made the basis of taxation here, although this bill attempts to do it.

A MEMBER OF THE COMMITTEE. I thought the impression was given out, at least in my mind, at the last meeting of the committee and during a portion of this discussion, that those bonds were subject to taxation in one or more states at the same time.

Mr. OLMSTED. My proposition is that they cannot be made subject to that kind of a tax. Your attempt here is to tax in Pennsylvania bonds owned in other states, and taxable there, which, under the decisions of the Supreme Court of the United States, are not taxable here. And right here, Mr. Chairman, there is a vast source of revenue to the state that is theoretically taxed but is never reached, that is, the bonds issued by foreign corporations not doing business in Pennsylvania, such as the Northern Pacific, Texas Pacific and Union Pacific railway companies, and the millions of dollars of western farm mortgages owned in this state. There are more western farm mortgages in this state, and more bonds of the Union Pacific, Texas Pacific, Central Pacific, more of these securities alone, owned in this state than all the money returned for taxation. The assessors don't reach it. If they would get that revenue, the third that the counties would get would go very far toward meeting all the expenses of the counties. What you need is a more faithful execution of the laws already upon your statute book.

Mr. FINLEY. I would like to ask you one question. Can you tell me what relation the part of your road in the state bears to its whole capital stock as returned for taxation to the state?



Mr. OLMSTED. You refer to the Lehigh Valley?

Mr. FINLEY. Yes, sir. How much of the capital stock is held outside of the state? Is there a greater amount of lines outside of the state than there is of capital stock held outside of the state?

Mr. OLMSTED. No; I think there is more stock held in the state of that corporation, a larger proportion of stock held in the state than there is of the railroad in the state. That corporation—while this bill proceeds upon the prevalent theory that a corporation has no soul to be saved and no body to be kicked—that corporation has 8,000 shareholders, and it may surprise you to know that three-fifths of those 8,000 shareholders are women. One of the heaviest stockholders is the Lehigh University at which, under the beneficent terms of Asa Packer's will, any young man may acquire a most excellent scientific education free of tuition charges. St. Luke's Hospital is another heavy stockholder. These people, these women and these charitable institutions, are entitled, perhaps, to as much consideration as any other interest in the commonwealth.

Mr. FINLEY. I don't think you get my idea. Under this bill the part of the Lehigh Valley road that would be taxed would be only that part of it within the state, apportioned in a certain way and valued in a certain way. Now, the idea that I want to get at is this: Supposing the Lehigh Valley railroad to be 500 miles long, and 100 of it being in Pennsylvania. It is a Pennsylvania corporation. You pay tax on the capital stock that represents 500 miles, don't you?

Mr. OLMSTED. Yes, sir.

Mr. FINLEY. Well, only 100 miles, or one-fifth, being in the state, the millage paid by you is five times what it would be if you were taxed as realty under this bill?

Mr. OLMSTED. Of course those figures are not correct, but the principle is correct.

Mr. FINLEY. You would be paying then five times as much as you would be paying if it was taxed as realty?

Mr. OLMSTED. Yes, sir.

Mr. FINLEY. Under this bill.

Mr. OLMSTED. Yes, sir, except that under this bill we continue to pay what we are now paying, and we have to pay this four-mill tax in addition.

Mr. FINLEY. I was trying to get at what proportion of that capital is represented by property in the state and how much by property outside of the state.

Mr. OLMSTED. Well, it would be very difficult to get at that even under this bill. Our main line is 160 miles long, about 100 miles of which are within, and 60 miles without, the state. We own a great many branches in the state, and we lease a good many roads both in and out of the state. Precisely how this bill means to treat those leased lines I am unable to say. It would be a very difficult matter to adjust these taxes under this bill.

Mr. FINLEY. Do you suppose there is more of your capital stock held outside of the state than there is of the line outside?

Mr. OLMSTED. When you take leased lines into consideration perhaps it is about equal.

Mr. FINLEY. The fact is that you are paying to the state now not only for lines outside the state owned by your company but you are paying also for investments made by people outside of the state.

Mr. OLMSTED. There is no doubt about that, and not only as to this

company, but as to the other companies I have mentioned here, the proportions would be much greater. While their property is in the state, a greater proportion of their stock is held by non-residents. But this bill does not relieve us of any of the taxes we now pay. It simply adds a new tax of four mills for county purposes.

Mr. TAGGART. Suppose your company was organized in New Jersey, how would you pay tax here?

Mr. OLMSTED. We would pay tax here just exactly the same as we do now. A foreign corporation pays just the same as a Pennsylvania corporation. The Delaware and Hudson Canal Company is a foreign corporation, but it pays tax here the same as a Pennsylvania corporation.

Mr. TAGGART. On the whole amount of its capital stock?

Mr. OLMSTED. No; there was an act passed prescribing the proportion upon which it should be taxed, the intention being to tax it upon that portion of its property in the state.

Mr. TAGGART. The capital stock is no fair measure of value, anyhow, is it?

Mr. OLMSTED. It is a measure of value to the stockholder of his interest in the company and its property.

Mr. TAGGART. It would be no measure of value to get at the things for taxation.

Mr. OLMSTED. The capital stock is frequently a great deal more than the actual value—

Mr. TAGGART. It is oftener a great deal less.

Mr. OLMSTED. And sometimes less.

Mr. TAGGART. You know that railroads are built with a very small amount of capital stock only partly paid in, and bonds are issued to pay for it.

Mr. OLMSTED. Not within the last few years, because the Constitution of Pennsylvania forbids it, and the act of 1887 makes it a penitentiary offense to build a road in that way.

Mr. TAGGART. That must be very lately.

Mr. OLMSTED. I don't think a corporation would like to build a railroad in that way. I should not like to.

Mr. WHERRY. Does not the Lehigh Valley Railroad Company have a very valuable franchise apart from its property?

Mr. OLMSTED. It has a valuable franchise, and that enters into the value of its capital stock.

Mr. WHERRY. In other words, is not the capital stock tax simply a franchise tax?

Mr. OLMSTED. No; it has been decided by the Supreme Court to be a property tax.

Mr. WHERRY. Isn't it simply the equivalent of a franchise tax?

Mr. OLMSTED. No; it is a tax upon the property, and the franchises are included as part of the property.

Mr. WHERRY. Isn't that the material part?

Mr. OLMSTED. No; without the property the franchises would have no value.

Mr. WHERRY. And without the franchises the property would have less value?

Mr. OLMSTED. Yes. The Lehigh Valley Railroad Company has, of course, valuable franchises.

Mr. WHERRY. But the property is represented in part by its mortgage debt?



Mr. OLMSTED. The market price represents the value of the property and franchises. You take away the property of the Lehigh Valley Railroad Company and its stock would sell for little.

A MEMBER OF THE COMMITTEE. If you pay tax in Pennsylvania on your total capital stock, would it be subject to taxation in any other state?

Mr. OLMSTED. The shares of that stock might be taxed in another state in the hands of the holder.

A MEMBER OF THE COMMITTEE. Is there a difference between the shares and the capital stock?

Mr. OLMSTED. The Supreme Court of the United States has drawn a very fine distinction, perhaps almost imperceptible to a layman. But they make a distinction between the shares as the property of the holder and the capital stock as the property of the corporation. That is, they have held that you may tax the stock to the corporation and the shares to the holder.

A MEMBER OF THE COMMITTEE. If you pay tax in Pennsylvania on the total amount of your capital, would you have to pay tax on that capital stock in any other state?

Mr. OLMSTED. The corporation would be subject to the laws of other states. For instance, the Western New York and Pennsylvania Railroad Company pays upon its capital stock here, and it pays also upon its capital stock in New York, although they do attempt equitably to divide the amount of stock between those two states. Shares of that stock, when held in New York, are taxed in the hands of the holders.

A MEMBER OF THE COMMITTEE. Do you mean that it pays a tax in New York upon a part of its capital stock and in Pennsylvania on the other part.

Mr. OLMSTED. I have so said.

A MEMBER OF THE COMMITTEE. Then it makes no difference to the corporation whether it pays a part or all of its taxes on capital stock in Pennsylvania.

Mr. OLMSTED. If the rates were the same in the two states it would not make any difference.

A MEMBER OF THE COMMITTEE. Well, then the argument advanced between yourself and the gentleman in the corner (Mr. Finley) had very little weight.

Mr. OLMSTED. The discussion between Mr. Finley and myself was not upon the same point. If the State of Pennsylvania taxes more of a company's property than it should, that fact will not exempt the company from taxation in another state upon so much of its property as may be there located and lawfully taxable there, and, therefore, it is important to the companies that Pennsylvania attempts to tax only what is fairly within her jurisdiction. I do not believe it to be to the interest of the public that railroad property shall be locally taxed for local purposes as proposed in sections seventeen, eighteen and nineteen of this bill.

## REPORT OF HON. ALBERT S. BOLLES.

MEMBER OF THE STATE REVENUE COMMISSION.

*A better system of taxation is needed.*

A system of taxation grounded in rational principles, and by its equitable and satisfactory operation stimulating the healthful development of the state, is a great need of time. No state possesses such a system, and, notwithstanding the imperfections in the Pennsylvania system, it will bear a favorable comparison with that of any sister commonwealth. Let no one though be led by this remark into the delusion that the imperfections are few or unimportant. They are many, and are grievously borne, and should be corrected without delay. A rational system is demanded alike by expediency and justice. Any other shatters state pride and increases lawlessness; and the game of grab is pursued with greater eagerness, and less regret, when one feels that the state, the source of public power and the ideal of public goodness, regards with indifference the conduct of its members.

*Classification of taxpayers.*

With respect to the disposition of tax-payers, they may be divided into three classes: those who are desirous of complying with the law, and who do pay all that is required; those who seek to evade its requirements and escape with the payment of the smallest possible amount; and those who would comply with the law if all had a similar disposition.

There are, indeed, many who seek to evade the plain requirements of the law; either who think there is no dishonor in swindling the state, or who do not care. But the number is also great who would obey if they were not sure that those around them were doing otherwise. They are willing to pay their fair share of the cost for maintaining the state; but if they must also pay more in consequence of the delinquencies of others, they rebel and seek to escape the legal requirement. If, therefore, a system of taxation can be devised which would deal effectively with the second class, the first and third classes would both be law-abiding.

*Kinds of tax system.*

All theories or systems of taxation may be divided into two, the taxation of income and the taxation of property from which income is derived. We do not hesitate to maintain that the taxation of income is a more rational basis for taxation than the taxation of property; that a system resting on this basis is much simpler; that the tax can be more easily and cheaply collected, and that less evasion and fraud would be practiced under such a system after it was firmly adopted and the proper agencies for its collection were effectively employed. This system has been explained so fully, and with such masterly ability by one of my associates, Mr. Wright, there is no occasion for me to retrace the ground. I shall merely answer two or three objections, and then proceed to other matters.



*Popularity of the income tax system.*

It must be admitted that the system is more generally approved than the existing system. The people believe that those who have the money should pay the taxes; and, more precisely, that those who have the largest incomes should pay the most taxes, and in proportion thereto. It is true, the very rich often do pay large taxes but indirectly. Mr. W.H. Vanderbilt declared that he had very little personal property which was subject to taxation, but rather than be called a mean man and a law breaker, he consented to an assessment on \$1,000,000 annually. He doubtless made an honest return; his great wealth was invested in stocks and bonds of corporations which paid the taxes assessed on them, or in government bonds which were outside the pale of the taxing power. Notwithstanding this explanation, there was a strong feeling that he was not doing his full share in maintaining the state. Had he paid a direct tax on his vast income, his imposing contribution would have led the people to rejoice over the existence of his great fortune.

*Objections answered.*

One of the objections to an income tax is its inquisitorial character. This objection may be raised to every tax. If a man is desirous of telling the truth, what is the difference between stating the kinds and value of his property, or the income therefrom? If his statement be fair, quite as much is revealed in collecting a tax on property as in collecting on the income. It is true that many persons now make no returns, or very imperfect ones, of their property; but the legal requirement is imperative. The possibility of evading it more easily than an income tax law is no reason for continuing the existing law. Nay, the evasions now practiced furnish strong grounds for adopting a system, if possible, by which evasions cannot be so easily practiced.

Another objection to an income tax is that the exposure involved of one's affairs may injure his credit. If he has no income, or one below the general belief, his credit may suffer: but if he should make a fair statement of his property, would not this have a similar effect? It is true that, in falsely returning an excessive income, one might blind creditors and lead them to extend credits which they would not otherwise do. On the other hand, if the disclosures of income were disappointing by reason of their small amount, the state might be aroused to more diligent inquiry into the returns. In any event, if a person is desirous of fulfilling the law in the payment of his taxes, why should he care to maintain such secrecy concerning his property? And if the object be to mislead creditors, or the public generally, then his conduct should be exposed. The desire to swindle state or creditors is not a valid reason for resisting an inquiry by the state at proper times into the wealth of its members, for the purpose of determining whether they are paying their fair share of the public expenditures.

In truth, there is no greater exposure by this system than by the present one. It is true that when a national income tax was collected the newspapers published the returns, which were as pleasing reading to some persons as they were displeasing to others. Those who were dishonest in returning too little were not particularly happy over the exposure: while those who returned too much rejoiced over the improved prospect of playing a false part in business and society. But

suppose the returns under the present system were published (and there is no law to prevent it), and all the particulars of a taxpayer's property were known, would he not have precisely the same feelings as he had when his annual income was published? If he is now evading the law and making returns of only a small portion of his property, would not the publication and exposure of his conduct have the same effect on his credit and social standing as the publication of his income? Both systems are equally inquisitorial; there is not the smallest difference between them in this regard whenever they are effectively administered; both, too, are equally public, and the taxpayer is similarly affected in a business and social way by his conduct in making returns, and by the public knowledge or use of them.

Another objection raised to an income tax system is that fraudulent returns would increase. We admit that if incompetent or dishonest officers were chosen to administer the law gross injustice would inevitably follow; but this would simply be a repetition of our past and present experience. On the other hand, with competent and honest officers it would be easier to administer such a system effectively than is the present one. There would not be such an opportunity to make false returns as many suppose. Nearly every form of wealth is tangible; and its ownership can be ascertained. If all corporations were required to make returns of their dividends, and to whom they were paid; and also the ownership of their bonds and stocks; and the requisite information of all recorded liens on personal and real estate was made to the proper authorities, the opportunities for evasions of the law would be greatly narrowed. At first, there might be some frauds practiced, but after the ownership of all forms of property was fully known most of the avenues for making false returns would be closed. Even money-loans by private individuals are chiefly on security of some kind, and the transactions are recorded. It would be easy to show that many checks, quite as effective, concerning other property could be devised and applied. Thus, in due time, the knowledge of the ownership of nearly all property having been acquired by the officers of the law, the income therefrom in most cases could be accurately determined.

*Difficulties in the property tax system.*

Regarding an income tax as the fairest that can be assessed and collected, and the difficulties attending the administration of the property tax so great that it must ultimately be superseded, any attempt to patch that system must be temporary work and disappointing in its results. For the difficulties in the system are inherent, and cannot be wholly removed. In some states the imperfections are fewer than in others; but to-day, after long experimentation in many states, it is admitted everywhere that the system is unjust in its operation, so unjust, indeed, that many classes of people are discouraged and discontented, and loudly demand reform.

Let us consider one of the difficulties inhering in the existing system. The assumption will not be questioned, that many taxpayers do transfer the tax whenever they can to the prices of their commodities, to their rents, or labor, and thus escape wholly, or in part, the ultimate payment of the tax. In the light of this assumption, some persons who profess to know most about such matters maintain that the greatest improvement in taxation would be to tax land, that the owner would



add it to the price of his rents or products, and thus it would ultimately be borne by the consumer. Now, assuming that he would do so whenever the opportunity permitted, it often happens that he could not shift the tax to another. Suppose that the tax on a store was increased during a time of depression, when the tenant was hardly able to pay his rent, could the landlord increase it, with the expectation of receiving it? Certainly not. The tenant cannot afford to pay any more, for the profits of his business will not admit of an increase. Again, if the tax was increased during a prosperous time, the landlord might be able to shift the burden on his tenant, and he, in turn, add it to the price of his commodities. Another supposition may be made: a landlord in one quarter of the city, where trade is good, might be able to demand and get a higher rent, while a landlord in another and less eligible part of the city, where business is slower, where the tendency of rents is to shrink, could not possibly get any increase, whatever might be the new demand of the state. And lastly, one landlord might seek to shift the burden whenever he could on his tenant, while another would have no such disposition. This would produce an inequality in the burden borne by the two, and which, under such a system, is beyond remedy.

Turning to the farmer, the same conditions prevail. If his tax was raised, he could not shift the burden to the purchaser of his products, for the reason that he is quite powerless to fix the price. The prices of wheat, corn, cattle, and the like are not fixed by the Pennsylvania farmer, but by the producers in the far west, who produce under the most favorable conditions and at the lowest cost, or else by foreign buyers. In any event, the Pennsylvania farmer to-day is quite powerless in determining the price of anything he sells, unless it be the price of milk, perhaps, and a few of the less important products of his farm. The prices of his wheat and other grains, his cattle and horses, his butter and eggs, are not fixed by him, and therefore an addition to his tax could not be transferred to the purchaser of his products, but must be borne by himself.

With this assumption before us, that the taxpayer will sometimes shift or transfer his tax if he can to the purchaser of his products, and that no uniform law or rule prevails, or can possibly be established with respect to the transfer, what principle of equality can be adopted as a basis of a property tax? Suppose the principle be adopted of imposing the same rate of tax on all property regardless of the subsequent transfer or shifting, which is the wish of many persons. Then the taxpayer will immediately look around to find ways of escaping the unwelcome burden. The railroad company will try to increase the rates of transportation at non-competitive points: the landlord, if possible, will increase his rents; and the majority of taxpayers, it may be fairly assumed, will manifest the same disposition. But many do not know how to get anything more for their labor or other products, even if having the disposition to escape the burden. Others see clearly the hopelessness of getting any increase for their products, because this is wholly beyond their control. Thus a tax, which we will assume was fairly assessed on all property in the beginning, proves a highly unjust tax in its operation. Some are obliged to bear the whole burden, they can shift no part of it; others are more fortunate, and shift a portion: others are engaged in such a business, or happily are owners of such property, that they can shift the whole, or nearly the whole, burden.

These are no fanciful suppositions; they are the outcome of the ex-

isting system; nor do we perceive any mode of preventing such inequalities. Enact a law for the collection of a property tax which shall impose the same rate of tax on all property, and elect the most competent officers to administer the law, and let it be fairly collected, the incidence or shifting of the tax may be so great after it has been fully and fairly paid that the grossest inequalities in the burden finally borne will everywhere exist.

Suppose that a tax should be imposed on the principle of equality of burden after the shifting has been done, thus assuming that every one as far as possible will throw the burden on others, would that yield more satisfactory results? We think not. The unequal operation of the incidence of taxation has been already explained. It would not be possible to enact a law based on that assumption that would distribute the tax fairly on all property.

In view of these glaring difficulties inhering in a property tax, it is exceedingly difficult to work out any improvement. Let the legislature enact a law imposing the same rate of taxation on land and capital alike, whether owned by individuals or corporations, which is faithfully and completely enforced, and the unequal shifting of the tax would ultimately result in the grossest inequalities. If this seems a strong statement, it is amply verified by the experience of all the states from the beginning.

*The rate is not the only element determining equality.*

A grave difficulty in dealing with this question is our lack of knowledge concerning the inequalities in the existing system. We know that different rates of local taxation prevail; that the local and state rates differ. We also know that property is assessed at different valuations by the state and by the municipalities. We know that, if a piece of property is assessed at half its value in one county, and a similar piece is assessed at its full value in another, and the rate of taxation is not twice as great in the latter county as in the former, the owner of the property in the former county bears the smaller burden. The rate, therefore, is only one element in determining the inequality. What is the comparative value of the property assessed by the counties or other municipalities is quite as important.

*The need of more knowledge on the subject.*

In trying to ascertain the nature of these inequalities, unfortunately there are no facts to illumine the subject. The resolution providing for the appointment of the commission declared that there were "at present no trustworthy statistics as to the amount of real and personal property owned by citizens of this state, owing to the inequality of assessments in the various counties." In my judgment one of the most useful services that a tax commissioner can perform is to collect all the facts relating to the assessment and collection of taxes, the inequalities in the rates and assessments, the defects in the laws pertaining to their assessment and collection, and a full exposition of local and state expenditures. Until these are gathered no one knows the extent of the evils to be corrected; nor how to proceed intelligently to correct them. The preamble to the resolution which we have just quoted, would lead



one to suppose that the commission were instructed to make such an investigation; but, in truth, the authority to do so was not conferred. Had the facts been ascertained, the legislature would be better prepared to deal with the subject of amending the tax system.

*There may be inequality in the burden with exact equality in rates.*

But it is asserted that whatever these inequalities may be they are no justification for some of the defects in the existing system, and especially the varying rates of taxation and kinds of property taxed, whereby capital and corporations are favored to the great detriment especially of landed property and the farmers. To this it may be replied that if the taxation of incomes be the true basis it is certain that all kinds of property ought not to be taxed at the same rates. For example, suppose a man owns a piece of land from which no income is derived, should he pay the same tax that is paid on another piece of the same value from which the owner derives a large income? Under the existing system no distinction is made; ability to pay taxes is not taken into account, but only the value of the property that a man possesses, and which may be seized if the law's demand is not regarded. Property varies greatly in productiveness, and if its value correspondingly increased or declined the imposing of a uniform tax might work no grave injustice; but there is no quick and close correspondence between productiveness and value, and thus it happens that, under the existing system of fixing uniform rates, gross inequalities prevail. A farmer raises thirty bushels of wheat to the acre on his farm one year, and the next only half that quantity. The prices of wheat may be the same during the entire period, and as the valuation of his land has remained unchanged he is required to pay as much tax one year as the other; but his income and ability to pay have greatly changed, consequently the tax is a greater burden to him one year than the other. The same rate of tax, therefore, yields inequalities of a most serious nature, in view of the constantly varying ability of taxpayers. But it may be said that if the productiveness of a farm varies, so will its value, and that the farmer will be assessed on a smaller valuation whenever his lands are unfruitful. The statement contains some truth. If the productiveness of lands declined permanently—if a smaller monetary return was likely to be permanent—doubtless they would decline in value unless they could be used for another purpose; but if a farmer has a poor crop this year his farm may not be worth a dollar less, because the event is not likely to happen the next. He can probably sell his farm for as much as he could had his crop been abundant and sold at high figures. Future prospects, no less than present conditions, are elements in determining its value. Consequently, he may have a poor crop and be able to sell even this only at a low price, and thus have inadequate means to pay his tax, and yet be required to pay as much for the support of the state as though he had been blessed with an abundant crop which he had sold at high prices. These are familiar facts which may be verified by almost any farmer. We repeat, then, that if the rates on all kinds of property were the same, and the law was effectively administered, the burden of the tax would fall very unequally, because the fund from which it is paid, the income or receipts from business or property, is so variable. Admitting that at present the rates are very unequal on different kinds of property, it

does not follow that under the bill recommended by the majority of the tax commission the burden of taxation would fall a whit more equally than it does fall under the existing law. Nay, the inequality might be even greater; no man can predict what would be the ultimate effect of such a measure. If the principle be correct that those should pay the most taxes who can best afford to pay them—in other words, who have the largest incomes, and all others in the same proportion to their income—the bill proposed is just as defective as any that has preceded it, and probably would yield just as many and great inequalities. Under this bill a manufacturer having a plant worth \$1,000,000, and which he has run for a year at a loss, must pay quite as much tax as another manufacturer having a plant of similar value from which he has acquired an income or profit of \$250,000. A farmer having a farm worth \$10,000, which he has conducted at a loss, must pay just as much as another farmer having a \$10,000 farm from which he has reaped a handsome profit. Such is the system which it is proposed to continue, a system of inequalities so general and glaring that it may be truly said that hardly two individuals or corporations owning the same amount of property bear a similar burden.

*Expenditures are a proper preliminary inquiry.*

A wise and just system of taxation must have its origin in the needs of the state. A preliminary inquiry, therefore, must or should be made, before adopting any system of taxation, into the purposes for which revenue is required, and the amount. But it is contended that even if some of the present expenditures are not expedient this is no excuse for withholding contributions by persons or corporations. They should pay, it is contended, their fair proportion of the obligations incurred without questioning their expediency or honesty. We question this doctrine; it is a very dangerous one—that of paying one's bills first and examining into their accuracy afterwards. Certainly this is not the way private business is conducted, and if it were we can easily imagine the consequences. In private affairs we wish to know before paying whether we are getting our money's worth. Is not the application of this doctrine to public affairs just as rational as to private ones? We ought to know for what purpose our money is needed, and if money is squandered under the existing system the first thing to do is to correct it and then to adjust the amount required among the taxpayers. Continue the existing policy and reform in the expenditure is sure to be long, if not permanently, delayed.

*Useless expenditures.*

We have no evidence of illegal expenditures in this state of a large amount; but the evidence of unintelligent expenditures, bringing no corresponding gain, is apparent everywhere. What expenditure is more useless than that for the maintenance of the public highways? This has been the subject of inquiry by a committee of the Legislature during the last two years, and the evidence will be presented at the coming session. The facts need not be reviewed here, for they are in the possession of every one. It is said that the farmers prefer the



existing roads, while admitting their badness, to better ones and the additional expense that must be incurred to create them. But is it true that better roads must increase individual burdens? In truth, would it not be cheaper to borrow the money to macadamize the principal roads in the state, and to pay the interest thereon, than to continue the present wasteful system? In other words, would not the interest paid on the money used for the creation of such roads, and the small sum thereafter required for their maintenance, be considerably less than the amount now annually paid for the existing highways? We are inclined to think that there would be a balance in favor of the bonded account. At all events there is enough truth in this remark to warrant a thorough inquiry into this subject, if it has not already been undertaken.

*Expenditures for charities.*

The expenditures for state purposes should be the subject of elaborate inquiry. A large sum is annually appropriated for the maintenance of charities of various kinds. Except in a few cases, no rule is recognized in assisting them. I have been told by those who profess to know that in some cases the amount appropriated by the state is more than necessary to pay the entire annual expenses of the institutions to which they are granted. They are actually acquiring a surplus which is to be used in the erection of new buildings, or in other ways. Many of their affairs are kept in the dark, not because they mean to use their resources wrongfully, but for the purpose of securing larger appropriations to extend their charities. This lack of system in making appropriations is deserving of serious criticism. In the first place the state, by appropriating so generally, is drying up the interest of individuals in organized charities. Our people have acquired great wealth, and their sympathies should be cultivated in every possible manner. Nothing can be worse than a state policy which does everything for the people, leading them away from direct interest and kindly regard in one another. The state can never do through its long perfunctory arm acts of mercy with the same degree of efficiency and kindly interest as individuals who live nearer the scene of relief, and who have a more direct interest in the sufferers. The state is without sympathy and affection: these are personal qualities, and can be exercised by persons alone. The state is now giving so much that individuals feel there is less for them to give: and so the existing policy has the unquestionable effect to lead people to do less and to take a smaller interest in personal suffering.

But another, and more serious evil springs from thus appropriating the public money, the demoralizing of our legislators. The steps by which they are reduced from an honest and desirable independence to debased servitude may be briefly described. This may be preceded by stating the fact that the demoralization begins as soon as the speaker is elected. When this is done, the friends of the "charities" appear on the scene, and endeavor to secure the appointment of a committee on appropriations that shall be favorably inclined to recommend lavish distributions. When this preliminary is finished, the work of the legislator begins. He must never lose sight of the appropriation for the "charity" in his district. He must, therefore, keep on good terms with everybody; he must antagonize no one; he must oppose no scheme,

however bad it may be; he must help others whether their bills are meritorious or not—all these things must be done in order to secure an appropriation for the "charity" in his own district. And still more, the less deserving the "charity" the harder he must labor, the more he must debase himself in order to succeed. For, if he does not, he fears that political death will follow. Most of our legislators, it may be assumed, are deeply conscious of the unwisdom of many of these charitable appropriations; they deeply feel the impairment or almost total destruction of their influence by the charitable millstone which they are compelled to carry. Those at home often wonder why their representatives, of which much was expected, play so feeble a part in legislation; the explanation in many cases has just been given. Confine appropriations for charities by fixed principles within more rational limits, and the character of our legislation would immediately rise to a higher plane. Our legislators, like prisoners escaping from unlawful, bondage, would rejoice in their greatly desired freedom, and be stimulated to labor for more worthy purposes.

While we do not deny that the state should do something in these regards, we do maintain that its appropriations should be based on a principle, and not simply on the wishes of legislators. Probably the expenditure of this nature which would receive the most general approval is the maintenance of the insane, the deaf and dumb, and the blind. They belong to no community; their efficient treatment requires the existence of large and costly institutions; and these in turn require able men for their efficient management; and the entire expenditures is on so large a scale that the state may very properly be responsible. But it is very questionable whether the state should go further. Certainly with respect to the hospitals of an ordinary character, the existing policy is open to severe condemnation. In the first place, if the state is justified in contributing to a hospital in Philadelphia or in Harrisburg, it is justified in contributing to one wherever it may be desired. No city or place has a special claim on the state in this regard. Within a few years seven hospitals have been built in the mining regions. While all will admit that the miners perform a work that is unusually hazardous, and therefore the need of hospitals may be greater in those regions than elsewhere, this furnishes no plea for action on the part of the state; or, if the plea be a good one, then the state ought to serve every community desiring a hospital in the same manner. This is class legislation, which, we are quite sure, has never received general approval. The best informed persons doubt the constitutionality of the act whereby these hospitals were established; but if the principle on which they are founded is wrong, why is not the system of contributing to the existing hospitals equally under the constitutional ban? Where can the line be drawn between establishing and maintaining? Do not appropriations for both purposes exist or fall together?

*State and municipal expenditures should be periodically examined.*

With respect to other state expenditures, they should be thoroughly examined. It should be ascertained wherein they can be increased with advantage to the people, and also where they can be eliminated without detriment or harm. Every state, in short, ought occasionally to undertake an investigation of this kind, not so much for the purpose



of detecting evil-doers, although possibly some wrong expenditures might be discovered, as to learn how the state moneys are appropriated and what benefits are derived from them. An investigation of this kind by every legislature, or once during every administration, by a competent committee of the legislature, with the aid of experts, would be a wise policy for the state. It is useless to consider the equalization of taxation until this prior inquiry has been undertaken of learning everything that is possible concerning state and local expenditures; in short, what can be done in the way of improving the state and municipal service. And especially should an investigation be made into the existing revenue laws, and also to what extent the inequalities and other evils are the consequence of an inefficient, unfair, or unfaithful administration of the laws that now exist. Having ascertained how, and for what purposes, state and local expenditures should be made, and the amounts thereafter needed for the maintenance of efficient state and local governments, the proper foundation would be laid for preparing and enacting a measure for obtaining the money needful to pay such expenditures.

*Various objects of taxation to the counties should be surrendered.*

We shall now turn to another side of this subject. The money collected by the state is more than enough to pay the state expenditures. A very considerable portion is devoted to defraying the expenses of the counties, and a large sum is annually devoted to the maintenance of the schools, an object for which no person should complain. The question may be asked, why not cut off some of the sources of state revenue, and thus leave them for county taxation? For example, why need a tax be collected from the banks for state purposes? Why not remit this object of state taxation entirely to the counties? We perceive no reason why a bank tax cannot be collected as efficiently by local as by state officers. This is not true of a railroad company. There are many reasons why it should be taxed under state supervision; but the banks in every sense have a "local habitation." If now and then a bank has a branch, it too is located and defined. Hence, we perceive no reason why a bank should not be taxed locally like a farm or any other property, and the state be entirely relieved from either the task of collecting or the sum collected from this source.

*Manufacturing companies.*

The remark is equally applicable to manufacturing companies. There is no small clamor for the imposition of a state tax on their capital; but if the state is collecting far more revenue than is needful for state purposes, and if, as a consequence of this, expenditures are made for so-called charities without a fixed principle, and in a haphazard and uncertain way, why should the state income be increased by additional taxation from this source? Does not the remedy lie in precisely the opposite direction? We think all the manufacturing companies of the state should be subjected only to local taxation. Most of them exist in a single township or county, and are under the jurisdiction of a single class of officers. If this were done, many evils would be avoided. In the first place, they would share more justly the burdens of taxation

with the persons and property around them. In the second place—and a point worthy of the highest consideration—if it be desirable to exempt manufacturing companies from taxation for a period, or to a certain extent, then the local authorities can do so without complaints from outside. It has been said, in justification of the present system of state exemption, that manufacturing companies have been induced to locate in this state, and that the general welfare has been thereby promoted. Probably there is not a little truth in this remark, but the same object could be attained, and far more effectively, by local exemption. In some of the townships and cities premiums have been offered, and exemption from taxation, in order to encourage the location and development of manufacturing companies. If this whole subject was remitted to the municipalities, the state would escape a serious contention. This, we believe, to be the most just and satisfactory way of settling permanently the question.

*Insurance companies.*

There are some difficulties in the way of abandoning the state taxation of insurance companies arising from the pursuit of the business by foreign companies within the commonwealth. If none did business here, the taxing of the home companies might be entirely local.

In this connection it may be remarked that at present the law operates very harshly towards some classes, particularly the taxation of mutual insurance companies in which manufacturers are insured. The simple rule that ought to prevail on this subject is to tax all companies of the same kind or class, whether foreign or domestic, in the same manner; that is to say, all life insurance companies, whether foreign or domestic, should be taxed alike; all fire insurance companies having a fixed capital should form another class; and all mutual fire insurance companies, another; while other classes might be added to cover mutual life insurance companies, tontine companies, and the like.

And not only should such a principle prevail here, but it should prevail in all the states. The state should tax domestic and foreign insurance companies, of the same kind, at the same rate that have a home or existence in other states where a similar rule prevails. And then, having passed such a law, the state should make it known to the authorities of other states, and thus a movement be started for the reciprocal taxation among all the states respecting property and persons of an interstate character. The present policy, by which each state tries to be a little smarter than the others in these matters, is child-like, and only need be mentioned to show its absurdity. The policy is unworthy of adoption anywhere. It is very transparent, and the sooner this species of protection on home companies and restriction on foreign companies is abandoned the better.

*Licenses.*

Again, the revenues from licenses and the tax on processes should be collected entirely by the counties or other municipalities. There is no reason why they should be collected by the state and then surrendered to the counties in the form of larger appropriations for the schools and the like. Is not the better policy to surrender the right to collect these



revenues? If the state could collect them more efficiently than the counties, or could get the greatest possible benefit from them, there would be a justification for maintaining the present policy; but, unhappily, this is not the case. The friends of charities perceiving several millions of dollars in the state treasury not needed for maintaining the state are trying to absorb every dollar, not leaving anything to be returned to the counties. Every one who is considering the subject can easily perceive that the vice which overshadows all others is the collection of too much revenue by the state, and the remedy obviously is to collect less. The simplest method, we do not say the best, of correcting the evil is to cut off some of the present subjects of taxation by the state and thus broaden the scope of local taxation. By this policy an unnecessary surplus would no longer be collected, and the county revenues would be enriched.

*The most practicable policy.*

The most practicable remedy, therefore, is to reduce the appropriations to charities within reasonable limits and to yield some of the objects from which a state revenue is now derived to the counties. By this simple policy the counties would get at least two millions of additional revenue, a sum sufficient to afford substantial relief. The present policy of collecting the revenues not needed for state purposes, and then of turning them over to the counties, is very questionable. In the first place, as we have seen, a considerable portion is not thus sent back, but squandered by unwise legislative appropriations; and there will always be danger of this so long as the state revenues are in excess of state needs. There is nothing peculiar in the action of our legislature in this regard; it is simply the repetition of universal experience. Whenever an unnecessary surplus has been created, instead of spending it wisely a large portion has always been wasted. The obvious remedy is for the state to collect less and thus enable the counties to collect more. In the second place, if the present policy is continued of appropriations for questionable charities and the like, they will probably soon exceed the revenues; and when this turn in things shall occur there is great danger that the legislature will adopt the opposite policy and make insufficient appropriations for needful purposes. In other words, if every so-called charity or other interest cannot get whatever is desired, there is danger that every appropriation will be opposed as far as possible. This has been the course of our legislative history in other days, and it is likely to be repeated if the present inconsiderate policy is continued. From opulence to bankruptcy, so history proves, has more than once been a very short descent; and the applications already made for six millions of the revenues of the state for charitable purposes ought to open the eyes of the dullest to the danger of a speedy emptying of the treasury. If the state did not have such a large and unnecessary surplus, the raiders would diminish in number and energy. Clearly, therefore, the state should collect less, leaving more for the counties and other municipalities, and thus local relief from taxation, which is so greatly desired, would be obtained.

Furthermore, if the local governments desired to maintain the charities now assisted by the state, they could do so with the revenues collected from the new sources above mentioned. If the managers and

other special friends of charities fear that local appropriations to such institutions in many cases would be reduced or withheld for the reason, either that they were not needed, or that the need for other institutions or objects was greater, is not this an equally valid reason for reducing or withholding the state appropriations to the local charities which now receive them, or for granting these appropriations to other local objects? In any event, if new subjects of taxation thus fell to the local governments, of course they could use the revenues flowing from them for whatever purposes they pleased; and if they should expend them in the same manner as the state funds have been expended, they would lose nothing by a reduction in the state appropriations for local charities.

It is true that some persons, perhaps many, believe that every appropriation which can be obtained by a county or other municipality from the state is a net gain, but this belief usually rests on no rational foundation. The revenues come from the people, and though some localities may get larger state appropriations than others—far more than their share on the basis either of wealth, population, or taxes—the entire state appropriations are no larger than the entire contributions by the people to the state treasury; consequently, the net gain to them is nothing. The truth of this remark is so transparent that no argument or illustration is needed to enable any one to see it. The state treasury possesses no magical fructifying power. Nothing is more certain than this, if some cities or counties in the biennial raffle which now takes place draw a larger amount than they originally contributed, other cities and counties are short by the exact amount of the excess of the lucky drawers.

The only justifiable exception to this policy is in those cases in which the state can act more efficiently in making collections or expenditures than the local governments. If, for example, the state could make better highways than the townships and at less expense, this would be a valid reason for taxing the people by the state for highway purposes. Usually, however, local expenditures can be more wisely incurred by the local governments than by the state; and whenever they can be, ought not the local government to control them? And is not local knowledge as superior to state knowledge in the expenditures for hospitals as in those for the highways or the poor?

*The principle revenue for the state should be from railroads.*

This would leave the railroads as the principal source of state revenue and there are many reasons why this source should be retained. In the first place, the state must have a revenue of some kind, collected either by its own agencies or indirectly through the counties. In the second place, the state alone is capable of determining the proper amount of the tax, and of assessing and collecting it efficiently. Suppose the railroads should be required to pay the average rate of tax that is paid on farming land. In the one case the state assesses and collects the tax on the entire valuation of the property; the counties assess and collect on a valuation ranging from thirty per cent. to nearly the full valuation. Would this be a fair distribution of the burden? Again, if railroads were assessed by the counties in which they are located, for the property therein existing, at the same rates as other property, then danger of another kind would arise. The counties might elect officers



who would assess railroad property at a higher valuation than other property in the same county; or the railroad companies might be wide awake and have influence enough to elect officers who would unduly favor their interests. Again, as a railroad company is the creation of the state, and lives by its permission, the entire state ought to share in the tax or return made by the company; but the system of local taxation, which now has many supporters, would operate unfairly in this respect, for only those counties having railroads, and which also differ greatly in value in the several counties, would derive any benefit in the way of a revenue from them.

*Inequality from inefficient and unfair execution of existing laws is greater than any other.*

Lastly, there is left for consideration the inequalities in assessment and collection arising from the inadequate execution of existing laws. Unequal as may be the rates of taxation on different kinds of property; unfair as may be the treatment received by the landed interests compared with the corporate interests; the inequalities and injustice springing from the inadequate or unfaithful execution of existing laws are far greater than all others. On this point evidence is abundant. All taxpayers know of the inequalities in assessing land through favoritism, friendship, political power and similar causes. The evils of this sort are of long standing and universal. What is the use of revising and equalizing the rates if the property on which the rates are assessed continues to be valued in the unequal unjust manner which prevails almost everywhere? What is gained by enacting a perfectly just law in principle, if it is to be set aside and rendered unequal in its operation? Every one knows that the existing laws relating to the assessment of taxes are ignored, that assessments are grossly unequal. Complaints of this nature are as old as the government itself.

The first and most important remedy is to select competent and just administrators of the tax laws; and until the people do that, it is not worth while to spend much time in trying to improve the laws which they are to administer. This is the greatest need of the time. One county assesses property at fifty per cent. of its value, another at sixty per cent., another at seventy, and so on. A page from the last report of the Secretary of Internal Affairs may be added here:—

"In the value of all real estate taxable for county purposes there is an increase of \$162,508,587 over the previous year. Below is a comparative statement of the counties giving the largest increase on the subject:—

Beaver—1889, .....	\$21,253,611
1888, .....	7,169,577
Increase, .....	<u>\$14,084,034</u>
Blair—1889, .....	\$23,939,043
1888, .....	7,326,260
Increase, .....	<u>\$16,612,783</u>

Dauphin—1889, .....	\$46,652,602
1888, .....	16,772,323
Increase, .....	<u>\$29,880,279</u>
Lebanon—1889, .....	\$29,279,494
1888, .....	11,469,582
Increase, .....	<u>\$17,809,912</u>
Monroe—1889, .....	\$6,172,740
1888, .....	2,299,617
Increase, .....	<u>\$3,873,123</u>
Tioga—1889, .....	\$16,592,270
1888, .....	9,178,572
Increase, .....	<u>\$7,413,698</u>

"Some other counties show a fair increase in the value of real estate, while twenty-one show a slight decrease. In many districts of the state real estate is assessed at about one-third of its value, and it is presumed that in the counties referred to in the above table, an effort has been made to correct this illegal mode of rating property heretofore followed, and that the figures given approximate the actual or cash value, as required by law. That there should be an increase in the value of taxable real estate in Dauphin county of nearly thirty millions of dollars, over sixteen million of dollars in Blair, fourteen millions in Beaver, and nearly eighteen millions in Lebanon, cannot, by any means, be attributed to the actual increase of the intrinsic value of real estate. To what then must be ascribed this apparent advance of values? Almost entirely to an effort made, in the counties named, to obey a law which before had been disregarded. To what extent does a disregard of this law exist in other counties? This is a serious question. Its answer might disclose a condition reflecting upon those who execute the assessment laws, and at the same time be a sad commentary on the equality of taxation: for inequality in assessments of necessity produces inequality in taxation, and, therefore, does violence to the spirit, if not the clear mandate of the constitution. If, in one district, property be assessed at one-half its value, in another district at its full value, and both subject to the same rate of taxation, then we can readily see how unjustly our tax laws fall upon those who loyally submit, but at the same time must realize that equity does not have full sway in the matter."

Again, in the same county and township, village and city, two pieces of property having the same value are quite as likely to be assessed unequally as otherwise; or two pieces of unequal value may be equally assessed. Facts of this sort are so familiar to all that they need not be mentioned. Why, we repeat, in the clear light of such facts should an attempt be made to correct the lesser evils of inequalities in the rates, when the larger evils of inequalities in assessments are ignored? The truth is, this entire business of tax reform has been begun at the



wrong end. First, the people, if they wish to have justice done, should elect efficient men to administer the tax laws, so that in all cases equal and just assessments of the property will be made. They should elect men who will not favor the rich, or the powerful, or relations, or corporations, but who will seek to administer the law in the spirit of strict justice. This is the first and must pressing reform; and not until they are determined to do this should any time be spent in trying to improve the tax laws, for, were they even perfect, they would operate unfairly if they were inefficiently or unfaithfully administered.

Next, the subject of expenditure should be carefully considered, both state and municipal. When this is done, then an investigation may properly follow into the existing system for collecting the money required for public purposes, its defects, and how they can be repaired. The legislature, year after year, is working away at the rate problem, never giving a thought to other systems of taxation, or to the preliminary matter of expenditures, which must serve as the ground-work of a sound tax system.

#### Conclusion.

I am conscious that the above recommendations are of a radical character; but the time in my judgment has fully come for presenting them. The states have been wrestling with this problem of the taxation of property for a hundred years, and instead of improving it, the system has grown worse. The forms of wealth are more and more diversified and complex; even the land is becoming transformed into negotiable property, whereby its value is enhanced, and the demand of the tax-gatherer is more easily eluded. In the modern world of wealth nothing is more wonderful than the giving of wings to land, and to nearly every kind of tangible property, by means of mortgages and other liens, and by forming railroad, land, manufacturing, and other companies, enabling the owner to hide his possessions and to escape from his just duty as a taxpayer. The consequence is that the existing system of taxation is constantly diminishing in effectiveness and fairness. After the long trial which it has had in all the states, with very unsatisfactory results everywhere, is not the plain teaching of this vast experience that the system should be supplanted by another containing a larger and more inspiring promise of deriving from all just contributions for maintaining the state?

#### DRAFT OF AN ACT PROPOSED BY HON. THOMAS McCAMANT, AUDITOR GENERAL.

##### AN ACT

To provide revenue for county purposes by the taxation of personal property.

SECTION 1. *Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania in General Assembly met, and it is hereby enacted by the authority of the same,* That for the calendar year one thousand eight hundred and ninety-two, and each subsequent calendar year, all personal property of the classes hereinafter enumerated,

owned, held, or possessed by any person, persons, co-partnership, or unincorporated association, or company, resident or located, partly or in whole, within any county of this commonwealth, or by any joint-stock company or association, limited partnership, bank or corporation whatsoever, formed, erected, or incorporated by, under, or in pursuance of any law of this commonwealth or of the United States, or of any other state or government, and located and transacting business within any county of this commonwealth, or within two or more counties of this commonwealth, whether such personal property be owned, held, or possessed by such person or persons, co-partnership, unincorporated association, company, joint-stock company or association, limited partnership, bank, or corporation in his, her, their, or its own right, or as active trustee, agent, attorney-in-fact, or in any other capacity, for the use, benefit, or advantage of any other person, persons, co-partnership, unincorporated association, company, joint-stock company or association, limited partnership, bank, or corporation, is hereby made taxable for county purposes at the rate of two mills on each dollar of the value thereof, that is to say:—

All mortgages, all moneys owing by solvent debtors, whether by promissory note or penal or single bill, bond or judgment.

All articles of agreement and accounts bearing interest.

All public loans whatsoever, except those issued by this commonwealth or the United States.

All loans issued by or shares of stock in any bank, corporation, association company or limited partnership, created or formed under the laws of this commonwealth or of the United States, or of any other state or government, including car-trust securities and loans secured by bond or any other form of certificate or evidence of indebtedness, whether the interest be included in the principal of the obligation or payable by the terms thereof, except shares of stock in any bank, or savings institutions incorporated under the laws of this commonwealth or the United States, that elects to collect from its shareholders and actually pays into the state treasury in or before the first day of March of each year, the six-mill tax provided for in the twenty-fifth section of the act, entitled "A further supplement to an act, entitled, 'An act to provide revenue by taxation,' approved the seventh day of June, Anno Domini one thousand eight hundred and seventy-nine," approved the first day of June, Anno Domini one thousand eight hundred and eighty nine," all moneys loaned or invested in other states, territories, the District of Columbia, or foreign countries: all other moneyed capital in the hands of individual citizens of any county of this commonwealth: *Provided*, That this section shall not apply to notes of issue used as a circulating medium, and commonly known as bank notes, nor to promissory notes discounted by any bank, banking or savings institution: *Provided also*, That a credit for one-third of the amount of tax levied and collected for state purposes under the twenty-first section of the act, entitled "A further supplement to an act entitled 'An act to provide revenue by taxation,' approved the seventh day of June, A. D. 1879," approved the first day of June, A. D. 1889," on so much of the mortgages, bonds and other securities of corporations and limited partnerships constituting a portion of their assets included within the appraised values of their capital stock, be allowed to such corporations and limited partnerships on all taxes levied against them under this section.



SECTION 2. That for the calendar year one thousand eight hundred and ninety-two, and each subsequent calendar year, there shall be levied and collected for county purposes a tax of eight mills on each dollar of the value of all capital in excess of one thousand dollars employed or used by any person or persons, firm, co-partnership, unincorporated association, joint-stock association, limited partnership or corporation, in mercantile or commercial pursuits within the county levying the tax, whether the said tax be assessed against a person or persons, firm, co-partnership, unincorporated association, joint-stock association, limited partnership or corporation as the owner, possessor or holder of the capital in his, her, their, or its own right, or as assignee, trustee, agent, attorney-in-fact, or in any other capacity, for the use, benefit, or advantage of another, or person or persons, firm or firms, co-partnership or co-partnerships, unincorporated association or associations, joint-stock association or associations, limited partnership or partnerships, or corporation or corporations; and there shall also be levied and collected for county purposes, from all butchers, drovers and dealers in live stock, a tax of eight mills on all sales in excess of one thousand dollars made by them, as nearly as the same can be estimated or determined from their sales made the last preceding calendar year: *Provided*, That credit be allowed on all taxes levied under this section for amounts paid during the year for mercantile licenses and state tax.

SECTION 3. In addition to the taxes to be levied and collected for county purposes, as mentioned in sections one and two of this act, there shall be levied and collected for the same purposes for the calendar year one thousand eight hundred and ninety-three, and each subsequent calendar year, a tax of ten mills on each dollar of the gross earnings for the previous calendar year of all private bankers and brokers and unincorporated banks and savings institutions, located or doing business within the county levying the tax, and a tax of like amount on all sums of money realized from business investments made by any person or persons, firm or co-partnership, resident or located within the county as aforesaid: *Provided*, Said person or persons, firm, or co-partnership are not liable for and do not pay the eight-mill tax provided for in the second section of this act: *Provided also*, That no tax shall hereafter be collected on the net earnings or income of private bankers and brokers and unincorporated banks and savings institutions that pay the tax on gross receipts as aforesaid; but the right to collect all such tax that is accruing or has accrued up to the time when the tax on the gross earnings is levied is hereby reserved.

SECTION 4. That every national bank and incorporated state bank, savings bank or savings institution with capital stock, located within any county or city co-extensive in boundary with a county, in this commonwealth, which shall fail to elect to collect from its shareholders and to pay into the state treasury, on or before the first day of March in each year, the six mill tax provided for in the twenty-fifth section of an act, entitled "A further supplement to an act, entitled 'An act to provide revenue by taxation, approved the seventh day of June, Anno Domini one thousand eight hundred and seventy-nine,' approved the first day of June, Anno Domini one thousand eight hundred and eighty-nine," shall, on or before the first day of April, in each and every year, make to the county commissioners or board of revision of taxes, a report in writing, verified by the oath or affirmation of the president or cashier, setting forth the full number of shares of the capital stock issued

by such bank, and the actual value thereof; whereupon it shall be the duty of the county commissioners or board of revision of taxes to assess the same for taxation for county purposes at the same rate as that imposed upon other moneyed capital in the hands of individual citizens of the county, or city co-extensive in boundaries with a county, for like purposes, that is to say, at the rate of two mills upon each dollar of the actual value thereof; and for that purpose they shall have the power and it shall be their duty, in case they shall not be satisfied with the correctness of the report, to summon the officers of said bank to appear before them upon notice so to do, on a day fixed by them, and to bring with them all the books of the said bank, showing its business assets and dividends for their examination; and it shall be their further duty to hear any stockholder who may desire to be heard on the question of the valuation of the shares as aforesaid, and they shall have the right by other evidence to satisfy themselves as to the correctness of the valuation of said shares of stock in said report contained and to correct said valuation; the county commissioners or board of revision of taxes shall thereupon transmit to the said banks a statement of the valuation and assessment so made by them and the amount of tax due the county on all of said shares, which tax the said banks shall, within thirty days after receiving said statement, collect from their shareholders and pay over into the or city county treasury: *Provided*, That if any bank shall fail or refuse to make said report or pay said tax, at the said times herein specified, or shall make any false statement in said report, or shall fail or refuse by its officers to appear before the county commissioners or board of revision of taxes, upon notice as aforesaid, or shall fail or refuse to produce its books for examination when required to do so, the county commissioners or board of revision of taxes after having ascertained the actual value of each share of the capital stock of said bank from the best information they can obtain, shall add thereto fifty per centum, assess the tax aforesaid and proceed to collect the same from said bank by legal process.

SECTION 5. That the board of revision of taxes in cities co-extensive with counties shall furnish the assessors of said city annually, and the commissioners of the other counties shall annually furnish the assessors of the several townships, boroughs, and cities of the respective counties, with blanks in the form prepared and supplied by the board of revision of taxes or county commissioners, and it shall be the duty of each of said assessors to furnish a copy of the same to every taxable person, co-partnership, unincorporated association, joint-stock association, and company, limited partnership, and corporation in his respective ward, district, borough, or township, or to any officer, agent or employé found at the place of business of any such limited partnership or corporation in his ward, district, borough, or township, upon which blank each taxable person, co-partnership, unincorporated association, company, limited partnership, joint stock association, and corporation shall respectively make return annually of the aggregate amount of all the different classes of personal property made taxable by the first, second, and third sections of this act, which return shall be made and sworn or affirmed to by such taxable person, and in the case of co-partnerships, unincorporated associations, and joint-stock associations and companies by some member thereof, and in the case of limited partnerships and corporations by an officer, agent, or attorney-in-fact thereof: *Provided*, That in the case of a corporation, joint-stock association or limited partnership doing business in two or more counties, and liable



for taxation under this act on property where the value of the same in each county cannot be ascertained or apportioned, then and in that case a return shall only be made and the tax paid in the county where the principal office of the corporation, joint-stock association, or limited partnership is situated.

SECTION 6. The affidavit required to be made by the last preceding section shall be made before the proper assessor or other person authorized to administer oaths, and shall set forth that the return is full, true and correct to the best of his or her knowledge and belief; and any person or officer, agent or attorney-in-fact who shall wilfully and corruptly make a false and fraudulent return as aforesaid shall be guilty of wilful and corrupt perjury, and upon his or her conviction thereof shall be sentenced to pay a fine not exceeding five hundred dollars, and undergo an imprisonment by separate and solitary confinement at labor not exceeding seven years, and thereupon be forever disqualified from being a witness in any matter or controversy.

SECTION 7. That the several assessors are hereby authorized to administer the oath or affirmation to any person or officer, agent or attorney-in-fact making the return prescribed by the preceding sections, for the taking of which oath or affirmation no charge shall be made by the assessor; any assessor who shall accept such return from any person or officer, agent or attorney-in-fact required to make the same, without requiring the oath or affirmation of such person or officer, agent or attorney-in-fact as herein provided, or who shall make any charge for administering such oath or affirmation, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be sentenced to pay a fine not exceeding five hundred dollars.

SECTION 8. That upon the refusal or failure of any taxable person, co partnership, unincorporated association, limited partnership, joint-stock association or corporation, to make a return properly verified by oath or affirmation, as required by this act, within ten days after being notified so to do, it shall be the duty of the assessor to make a return for such taxable person, co-partnership, unincorporated association, joint-stock association, limited partnership or corporation from the best information he can obtain; he shall examine the records and lists of judgments and mortgages returned by the prothonotary and the recorder of deeds, and to the office of the county commissioners or board of revision of taxes, under the seventh, eighth, and ninth sections of the act, entitled "A further supplement to an act, entitled 'An Act to provide revenue by taxation, approved the seventh day of June, Anno Domini one thousand eight hundred and seventy-nine,' approved the first day of June, Anno Domini one thousand eight hundred and eighty-nine," or remaining in their respective offices, and assess such defaulting person, co-partnership, unincorporated association, joint-stock association, limited partnership or corporation with the amount of all such liens with interest thereon, and add thereto the amount of all other taxable property of which they have knowledge themselves, or obtained from other sources of information deemed by them to be reliable, which return the county commissioners or board of revision shall have power, and it shall be their duty, to revise and correct according to the best information they can command from the records in their office or other sources, and it shall be their duty to send for a person, persons and papers, and to administer an oath or affirmation to him or them in such form as shall be prescribed and supplied by them, the said county commissioners and board of revision

of taxes, to which revised and corrected estimated return the proper county commissioners or board of revision of taxes shall add fifty per centum, and the aggregate amount so obtained shall be the basis for taxation: *Provided*, That if such taxable person or co partnership, or unincorporated association or company, limited partnership, joint-stock association or corporation, on or before the day fixed for appeals from assessments, shall present reasons, supported by oath or affirmation, satisfactory to the proper county commissioners or board of revision, excusing a failure to make a return such as should be made to the assessors, and shall then make such return, the proper county commissioners or board of revision may substitute such return for that returned by the assessor and corrected as aforesaid, to have like effect as if no failure to return had occurred.

SECTION 9. That if any assessor and any taxable person or members of any co-partnership, unincorporated association or company, officer, or stockholder, or member of any limited partnership, joint-stock association or corporation, shall agree or enter into any arrangement or understanding that upon the failure of such taxable person, co-partnership, unincorporated association, company, limited partnership, joint-stock association or corporation, to make the return required by the fifth and sixth sections of this act to be made, such assessor shall return a less amount of property made taxable by the first, second, and third sections of this act than should have been returned by such taxable person, co-partnership, unincorporated association, company, limited partnership, joint-stock association or corporation, the persons entering into such agreement, arrangement, or understanding, shall be guilty of conspiracy, and upon conviction thereof shall be sentenced to pay a fine not exceeding one thousand dollars, and undergo an imprisonment, either at labor by separate or solitary confinement, or to simple imprisonment, not exceeding three years, at the discretion of the court.

SECTION 10. That it shall be the further duty of the county commissioners or the board of revision of taxes of the proper city or county, on or before the time of making the annual or triennial assessment in any year, to prepare from the records in their respective offices a statement or statements showing, as far as practicable, the number and amount of said mortgages, and all other obligations and names of the parties thereto in each township or ward in the county, which said statement shall be delivered to the assessor or assessors of each township or ward respectively, before said officers shall enter upon the discharge of their proper duties.

SECTION 11. That it shall be the duty of the assessor or assessors, in making up their valuations of money at interest in their respective districts, to compare the return made by each person, co-partnership, association, limited partnership, joint-stock association or corporation with the statement furnished them by the county commissioners or board of revision of taxes, and if the amount of said mortgages or other obligations as contained in said statement shall exceed the amount set forth in the return of any person, co-partnership, association, limited partnership, joint-stock association or corporation, to note the fact and make return of the same to the commissioners, or board of revision of taxes of the proper city or county.

SECTION 12. That it shall be the further duty of the county commissioners or board of revision of taxes, upon the returns made to them by the assessors of the several townships, wards and boroughs,



in all cases where it shall appear, on proving the record, that any person, co-partnership, association, limited partnership, joint-stock association or corporation, has returned a less amount of money at interest than appears from the records in possession of the commissioners or board of revision of taxes, thereupon to raise the valuation of the property of said person, co-partnership, association or limited partnership, joint-stock association or corporation, to the amount set forth in said records, and forthwith to notify the persons, co-partnerships, associations, limited partnerships, joint-stock associations or corporations interested of the said increase of valuation, and that the same is subject to be appealed from at the same time and the same manner as the original assessment.

SECTION 13. That any wilful failure on the part of the county commissioners, board of revision of taxes, ward, borough and township assessors, to carry out the duties imposed upon them by the several sections of this act, shall be deemed a misdemeanor, and, upon conviction thereof, the person or persons so failing to comply shall be sentenced to a fine not exceeding five hundred dollars, and imprisonment not exceeding one year.

SECTION 14. All acts and parts of acts inconsistent herewith are hereby repealed; but nothing contained in this act shall be so construed as to deprive the commonwealth of the right to collect a tax or license, under laws in existence at the date of the passage of this act, on whatever is made the subject of taxation for county purposes by this act.

#### EXTRACTS FROM THE REPORT OF JOHN A. WRIGHT, ESQ., MEMBER OF THE STATE REVENUE COMMISSION.

##### *State taxes.*

The objective point of state taxation is to enable the different departments of the state government to carry out and enforce the provisions of the constitution of the state, to execute the laws of the commonwealth and broadly to care for the people.

These duties are embodied in providing for all interests of a general or public nature, including the expenses of the legislative and executive departments, the costs of the election of presidential electors, state officers, and judges of the supreme and other courts, the support of the judges of courts of law, of the public schools, of state prisons, of insane asylums, of institutions for the care of the young, of houses of correction, military organizations, etc.

##### *Local taxes.*

The tax laws for counties, cities, boroughs and townships should be confined and limited to the raising the moneys necessary for the care and support of the respective local interests. These should include the health of the people, the providing inferior courts of law, and justices or magistrates to supervise local disturbances of the peace, a police in cities, a constabulary in townships, and provide jails, poor-houses, establish and maintain streets and roads, build bridges, sewers

furnish water, light, public parks, markets, and take care of the public property. These laws should provide for the higher education of the children, the expenses of the election of all local officers, and such other expenditures as are for local purposes, and from which the real property will derive protection or profit.

After this general definition of the proper duties of the state and local governments, the principles on which revenue laws affecting them may be considered.

First. *As to raising revenues for the state:—*

A. All taxes should be levied on earnings of invested capital or real estate, and not on the principal.

*Note.*—This is an important principle, and is adopted by foreign nations as the only equitable rule.

Taxes based on the face or market value of stock and bonds; on an estimated value of real estate; on cost of merchandise; on amount of sales of merchandise; on value or cost of manufactured articles, are a fixed charge, and made without reference to the profits arising therefrom. The profits on the use of capital in business or on real estate will vary from year to year; and to levy the same tax, whether the profits have increased or decreased, is manifestly unfair. If there has been success, the state is entitled to its share, and if adversity, estate should not require a share that has not been earned. In many cases the present, and it may be termed the American, method operates to the injury of our people, causing hesitation in undertaking operations that may be uncertain as to their results. It bears heavily on the enterprise of the people during seasons of depressed trade. The state should accept the position of a partner in business and share the profits.

The introduction of this principle in our revenue laws would bring larger returns to the treasury of the state by securing a lien on the average profits of years, and avoid the temptation to the people to withhold their property from taxation when profits are low and to keep the lion's share when the profits are large.

There will be exceptions to this general rule which are of secondary importance in establishing a broad and comprehensive principle.

B. All state taxes should be levied upon the results of the use, earnings, and workings of all the capital, labor, and real property in the state, whether owned by its citizens or by those of other states, or held in a foreign country, and until some interstate agreement is made regulating the taxes on property (real and personal) held in one state by the citizens of another state there should be added the profits from the use of capital or real property owned by citizens of this state in another state.

*Note.*—This provision would include all natural persons, corporations, associations, and firms with limited liability, business firms, etc.

C. These results or profits, in all cases, should be the net results after deducting the expenses from the gross receipts, not including interest paid on mortgage or fixed indebtedness.

*Note.*—In the case of natural persons or of business firms or co-partnerships no allowance should be made for personal services. The taxation of mortgages or borrowed money is one of the instances where legislatures have seized hold of an apparently good subject for taxation without regard to the principles involved.

The large amount of moneys borrowed by railway corporations, loaned on real estate, and the money owing by solvent debtors and



bearing interest was too tempting for legislators, in their search for taxable objects, to pass by. The revenue thus raised could be used for the support of the state in lieu of a tax on real estate, and as the imposition of such taxes was governed by no principle, a tax was placed on mortgages and credits, which yet remains on our statute books. The result has been a great inequality in taxation. Bonds held out of the state cannot be taxed, and real estate has had to pay the local taxes on the property mortgaged and to a great extent the additional state tax. Owing to the heavy rate of the state tax, a very small proportion of the mortgages and moneys loaned have been returned to the assessors, so that injustice has been done to the state and to the citizens who have fairly paid the tax on their mortgages.

It is fair to hold that the state should have nothing to do with the question of the indebtedness of its citizens or of its corporations. That should be considered a matter of business adjustment between the parties, on the same basis as the ordinary buying and selling of merchants and trading between others. No farmer, merchant, builder, or corporation borrows money unless on the basis of an expected profit in its use over and above the interest paid, and the use of this borrowed money is represented in the profits arising from the operations of the citizen or corporation. When the state assumes to tax the profits it should be on the results of the property as a whole. It would, therefore, be just to demand that the profits of a farmer, citizen, firm, or corporation should be returned without deduction of interest paid on borrowed money secured by mortgages or by judgments.

D. There should be no exemptions or exceptions, except in the case of churches, educational and charitable institutions from which no pecuniary profit is derived.

*Note.*—Such institutions confer greater benefits on the people than could be derived from taxation. The following extract from a decision of the Supreme Court, delivered by Justice Paxson, covers the ground as to the exemptions: "The exception of notes or bills for work or labor done is clearly in violation of article IX of the constitution. This belongs to a species of class legislation that has become very common, more common than commendable, the object of which is to favor a particular class at the expense of the rest of the community."

So far as such legislation affects the question of taxation, the constitution has put an end to it. There can be no more of it, nor should there be. The constitution protects all parties alike; the poor and the rich equally enjoy its benefits, and all must share the burden which it imposes. However popular such legislation may be, it cannot be sustained under our present constitution.

Every citizen owes to the state such proportion of his profits, from whatever source derived, as may be required to meet its wants, and as a sequence the omission to tax any profits or property or to release from taxation any profits or property is to place on others the burden the owners of such property or profits should bear. This inequality is one of the striking defects of the present laws, in that all the profits of capital not subject to the mercantile laws, and all the profits from real estate and from bonds held in other states and foreign countries are exempt from taxation; and the laws levying taxes on the principal of securities held and money loaned, do not recognize the varying rates of interest, and, thereby, work great injustice. Any proper system of taxation will reach all the profits of all the people and be made to bear equally.

E. It will be noted that this broad claim for the taxation of all profits from all sources, and that there should be no exemptions, would rule out the generally accepted policy of exempting from taxation personal property to the extent of some fixed amount. In this day there is but little reason for such an exception to a healthy principle. But if such an exemption is made applicable to all citizens, then it simply reduces the total amount of profits in the state liable to taxation, which again means that the rate of taxation would have to be increased to meet this deduction from the total amount of taxable profits. To a limited extent such deductions would help the laboring classes. It has been suggested that any inequality arising from such an exemption might be met by requiring that all natural persons whose gross earnings from labor, trades, occupations, professions, or the investment of money, or capital, shall not exceed \$300 per annum, shall be required to pay a poll tax to the state of twenty-five cents annually, or it might be added an amount that would be equal to the product of the adopted rate of taxation on a profit of \$300, which would be less than twenty-five cents.

F. The taxes should be levied upon as few articles as possible, thereby simplifying the workings of the law, rendering its provisions more easily understood, and securing a fairer return of the amount of profits or of property.

*Note.*—This result would be most readily secured by the adoption of the suggestion, as to levying taxes on net profits, as it will make but one amount to be returned. The tax law of 1889 is so intricate that but few persons understand it. Its intricacy is a capital illustration of what a law should not be; this has been a characteristic of the revenue laws of our state, and as a sequence the courts are full of cases instituted by the state to find out what was the intent and meaning of the laws, as noticed by Judge Paxson.

G. Revenue laws should avoid intruding on the privacy of individuals, of families, of corporations, or conferring on the assessors undue inquisitorial powers.

H. A well-devised revenue law will secure the fullest return of taxable property when legislators keep such a control of the expenses of the state, that the rate of taxation will be the least burdensome to the people.

I. The administration of oaths as to returns should be rarely used.

*Note.*—Their indiscriminate use in this country is rapidly lowering the public appreciation of their solemnity and of the moral responsibility of the individual to God. The taking of an oath is too generally accepted as a mere form, and as a part of an official system, and the respect of the citizen for the law and for the government is lowered.

If the citizens, including corporations, etc., are satisfied that the revenue laws bear equally on all, in the ratio of their earnings or profits, if they find the laws are readily understood, if they avoid undue invasion or exposure of their private business, if they are satisfied that legislatures carefully guard the expenses of the state, then there will be little occasion for the administering of oaths or undue searches after property.

The great majority of the people are honest and are willing to pay their fair share of the expenses of the state. Unequal and exorbitant taxation invariably leads to concealment of property and evasion of taxation. The operation of the present revenue law is an ample justification of this assertion. Any one at all conversant with the wealth of the people of this state and the returns made by the Auditor General,



will be satisfied that but a small proportion of the real wealth or profits of the people is reached by the law of 1889.

K. That the rate of taxation should be the same on the income of all profits, from whatever source derived.

Note.—No distinction should be made in the rate of taxation as to the sources from which the profits may be derived. All honest methods of gain are equally proper, necessary for the general prosperity of the people, and should be subject to the same rate of taxation. This would remove some objectionable provisions in our present laws where higher rates of taxation are levied upon some branches of business than on others, as if there were something immoral or there were undue profits in such employments. This is a remnant of the abuse of power in the earlier ages.

L. The methods of assessment and collection of the revenue of the state should be carefully prepared and their cost reduced to a minimum.

Note.—The assessors should, in place of being elected, be appointed by responsible officials, and the office held by intelligent and capable citizens. The salary should be sufficient to command the services of men who will be fully competent and have the respect and confidence of their fellow-citizens. The present cost of assessment and collection of state revenue by local officers is said to average about ten (10) per cent. This is an extreme charge and could be greatly reduced.

The enforcement of a law that would levy state taxes on the profits arising from the capital, the real and personal property of the citizens of the state, would relieve (1) The offices of the Auditor-General and Attorney-General from many of their perplexing duties in assessing and collecting state taxes, and in trying to eliminate from a mass of words their true intent and meaning. (2) It would relieve the dockets of the Dauphin county court, and of the Supreme Court, now crowded with state cases. (3) The assessors, boards of revision, county commissioners would understand the law. (4) The citizen, the corporation, or the savings and trust institutions, bankers, etc., would be the better able to determine the amount of taxes due the state. The simplicity of such a law should leave less margin for errors and with a low rate offer fewer inducements for its evasion.

I have thought it desirable to discuss so fully the proper basis of a revenue law for the state, not because of any originality in the views expressed as to refresh the minds or to recall to the memory of, the legislators these important principles, and further, to suggest some general laws which would be more in harmony with them and with the principles of state constitution than our present law of 1889. The framers of our state constitution strove to introduce provisions which would prevent special legislation, preference for classes, exemptions, and as far as possible to secure laws which would be more general in their scope, and thereby not only preserve the people from injurious legislation, but secure better legislation. The members of the legislature can judge how nearly the proposed laws are in sympathy with the policy of the constitution of the state.

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#### *Tax on real estate.*

A tax on real estate, unlike other taxes, reaches every citizen within its bounds; there is no escaping or evading a tax on real estate. Every

owner of improved real estate has to pay his share of the benefits his property derives from the whole amount of taxation. The renter of a house, farm, mill, shop, or store has to pay his share, for the tax becomes part of the rent; the occupier of a room, the boarder in a private house, the lodger in a hotel, though for a night, contributes his share to the amount of taxes, because such share of the taxes is added to the rent of a room, the price of board, and the cost of a night's lodging.

Further, it is a just and fair tax, because it can be levied upon the rental or productive value of the real estate. In case of unimproved real estate, the taxes could be based on its value in the open market.

When the taxes on real estate are based on the principle of confining the expenditures of the moneys raised to objects which have an interest in, and are enhanced by, use of such money, then real estate becomes not only the best representative of value, and affords the best basis for taxation, but it is the only just basis. This statement is in direct opposition to the theory that personal property should be subject to local taxation, and is therefore worthy of further discussion.

What does a tax on real estate represent? How far does it afford protection to life and personal property?

The answer to these questions would be: A local tax represents the care and protection of the people within a county, city, or borough in the occupancy of their homes, in their incomings and outgoings, and this is all. The intercourse of citizen with citizen, the interchange of business, all transactions of the people with each other, come under the protection and care of the state; business transactions with citizens of other states come under the protection of the general government. These are important distinctions. The local government does not provide any more protection to the merchant in the county, city, or borough, nor to the professional man, to those receiving salaries or those owning stocks or shares in banks or other incorporated companies than is given to every other citizen. If there was any additional protection or extra privileges given by local bodies to those holding personal and real property in the rates of the taxes levied on their real estate or otherwise, there might be some claim made for taxing personal property.

Take a farmer, who, in addition to his farm, owns a thousand dollars (\$1,000) bond of a railroad corporation, or perhaps fifty (50) shares of stock in a bank, or in an insurance company, or in a savings institution, or a mortgage of a thousand dollars (\$1,000) on a farm in the county in which he resides, or on real estate in another county or state, or any other kind of personal property, and he asks why he should be taxed on these bonds, or shares, or mortgages by the county in which he lives? He argues that the county does nothing for him in the way of protecting him in his holdings, that he pays to the treasury of the state an annual tax on such bonds, stock and mortgage, and is protected in such holdings by the state. His answer further is: Where there is no benefit to be derived, directly or indirectly, there should be no tax, that as he already pays a tax to the state for its protection, to tax him again and get nothing for it would subject him to double taxation.

Again the profits of the merchant, the dealer, the artisan, the small and large manufacturer, the laborer, are generally represented in the character of the stores, shops, houses or buildings used by them for their business purposes. The local bodies receive taxes from such property based on their cost value or rental value. Our people usually live in a manner or style in their homes fully up to their financial ability,



whether it is derived from labor or from active or invested money. The local bodies thus directly reach the personal property or profits of the people through the taxation of their homes, real estate, horses, carriages, etc. Again, the expenditures of such citizens for labor and supplies, within the bounds of such localities, give employment to others, who live in houses and are thereby enabled to pay taxes to the local bodies, so that indirectly the local bodies receive a very large contribution from the personal property of the citizens, whether or not such property is invested in stocks, bonds, or mortgages within the limits of the local body of the state, or is derived from property outside the state. It would seem that there could be but one conclusion, after carefully considering the question as to what objects are proper subjects for local taxation, that the first one should be, the real estate within the bounds of a municipal body.

\* \* \* \* \*

#### *Proper system of taxation.*

The question then is as already stated, How to devise a system of taxation which will treat all persons justly and equably, and harmonize conflicting interests?

It must be apparent to every one that the system which will most nearly secure these results is one based on income. Income represents the earnings derived from ordinary labor, from professional skill and knowledge, from cultivation of land, from rents of houses, from the mines, from the manufactory, from the making or use of machinery, from transportation, whether on the road, street or by rail, from the interest derived from money loaned, from buying and selling, from the employment of cash capital, in fine from all the means and all the ways devised by man to secure a living. In a mass it represents a nation's earnings, or that of a state.

Every plan of taxation adopted by civilized nations is an attempt to reach this sum of the profits of the people. It is the foundation on which the tax laws in our different states are built up, and while these laws vary very generally in their provisions they are all intended to reach the same end.

The real difficulty in the way and the one that produces the variations in the laws, is to be found in the effort, on the one hand, to avoid being too inquisitive into the private affairs of the people, and on the other the obstacles to reaching the real income of the people.

There is no tax so just if it can be fairly assessed and readily collected. Revenue laws which provide for a fixed amount or a fixed rate of taxation, are often unduly severe, as they do not recognize the varying changes in the conditions affecting the taxpayer, or in the values of property.

The proper basis of all tax laws being thus established, the problem of framing just and equitable laws is reduced to introducing the principle into the laws of avoiding, on the one hand, as far as may be practicable, any undue inquiry into the private business of citizens, and on the other, securing a return from all citizens of the amount of their income during each year.

Another problem before the commission is to devise such measures as will secure to the state the moneys it requires and to the cities, counties, boroughs and townships the means of raising money for their

local wants—harmonizing both claims so that there will be justice done to all the citizens of the commonwealth.

To secure these results it will be safe to base the revenue laws in the following general principles, varying from them as their operations may be inexpedient or impracticable:—

*First.* That the state is entitled to receive from its citizens their contributions for the preservation and development of the social system, in the protection of their persons and property, and that such contribution or taxes should be levied upon the personal property in the state, and on the real estate which is made valuable by the labor, knowledge, skill and energy of its citizens under the protection and encouragement afforded by its laws.

*Second.* That all corporations, including banks and savings institutions, and associations and business firms with limited liability, should be considered in the revenue laws as an individual or a natural person, the laws affecting them to be assimilated as closely as possible to those affecting the individual citizen.

*Third.* That the assessment of taxes should be based on the income of the individual, thereby securing the financial results of the use of the real and personal property, labor and skill of the people of the state, and that the rate of taxation on such assessment shall be equal or the same to all individuals or persons (including in these terms, as above, all corporations, associations, firms, etc.).

The state properly looks to the results of the labor, skill, and capital of its people and their use of the real property as a whole; it is not within the proper province of the state to inquire into the details of the business of the individual, further than to ascertain that the amount of income returned is correct. The state should have nothing to do with the amount money borrowed or the indebtedness of the individual.

This properly belongs to each person, it is part of his private business. If a citizen borrows money on a house or farm, the state presumes it is done wisely as a commercial transaction. If a corporation, railroad or otherwise, borrows money on a mortgage it is done by authority of the shareholders and it is presumed to have been a prudent and profitable transaction. In all cases such money is borrowed on the belief that the profits arising from its use will be more than sufficient to pay the interest and leave a profit to be added to the sum of profits. The only interest the state has in the transaction is to see that the profits of the whole property are duly reported as subject to taxation.

*Fourth.* That while the results of such a system of taxation would produce a larger revenue than the necessities of the state treasury may require, and while it would in such cases be proper, fair and just that the state should (through its legislature) return a proportionate part of such revenue to the counties, cities, etc., from which it was derived, it should also be provided that the authorities of the counties, cities, boroughs, and townships shall be empowered to levy such taxes as may be required for their local necessities, on the real estate and on the horses, wagons, carriages, etc., within their limits and be confined thereto.

These expenditures are for the immediate advantage of the owners of the real estate and residents of the county, city, or borough, affecting the convenience, the comfort, and the health of the people by securing a proper distribution of food, supply of pure water, safety from fire, providing for good roads and streets, proper drainage, and the public schools, and for the further protection of their persons and property,



by the support of the necessary courts of law, of a police force, of prisons, and to meet the varied wants of settled communities. The profits derived from these expenditures are but partially and indirectly represented in the income of the people.

*Fifth.* The mooted question as to the legality and advisability of taxing such part of the income or net receipts of the individual persons and corporations, etc., as may be derived from investments of capital in other states, whether in stock, bonds, land, or business enterprises, demands consideration. The policy of the state has been to tax such profits. It is argued on the one side that this is double taxation, that it is not in harmony with the comity which should exist between the states—that it is in violation of the principle of the Constitution of the United States providing for free exchange of property between the people of the states, and that capital property comes under the same law—that the right to levy a tax depends on the power to protect and that the principle of taxation goes with the power of protection; that the State of Pennsylvania does not protect the property of its citizens in other states, and, therefore, has no right to tax such property.

It is further argued that the tendency of such a law is to drive capital from the state to New York and states where there is no such tax. That it prevents western capitalists, who may desire to move eastward, from making a home in this state; that the income thus derived by citizens of this state is largely expended here, and thus builds up our cities and increases value of real property—and in other ways contributes to the state and local taxes.

On the other side it is argued that the domicile to an individual is the proper place to pay tax on income, from whatever source it may be derived. In a word, the discussion may be summed up in a question of public policy and equity. In the absence of any direct decision of the Supreme Court of the United States, or of this state, it may perhaps be better left to an agreement among the states, that property, or income derived from it, when taxed in one state shall not be again taxed by another state, and until this is done, it may be assumed that the State of Pennsylvania will continue to tax such property or income, and that its revenue laws should include such income.

\* \* \* \* \*

## FARM TAXATION.

By the SECRETARY.

A superficial examination into the system of the assessment and taxation of farm lands in the different counties of our state will convince the most skeptical that, for purposes of comparison, it is useless, and that, theoretically at least, while all counties assess under the same law, yet, in fact, scarcely two of them assess upon the same basis. This is illustrated by a statement made before the House Committee of Ways and Means, by Hon. M. E. Olmsted, in an argument in relation to the House revenue bill (bill No. 210) in which he quoted the following from the instructions of the county commissioners of one of our counties, to the assessors: "You will assess real estate and personal property at a full valuation as the law directs, but on the books that

you return to this office enter only *one-half of the full valuation* for county purposes."

From the same authority we find the county commissioners of another county issuing the following instructions to the local assessors: "The commissioners would suggest that in assessing all classes of real estate you estimate the property at its actual value, and rate it for assessment purposes at *one quarter such actual value.*"

Thus it will be found that while most of the counties are following the law in form, they are varying from it in fact; thus Pike county assesses at about one-fourth value, Susquehanna at about one-third, Crawford at fifty-five per cent. of actual value and Chester at about full value; the other counties of our state will be found assessing at points between these two extremes.

It therefore follows that we have no basis upon which we can compare the rates of county and local taxation; it conveys no practical information when we state that Susquehanna assesses at the rate of fifty-five mills on the dollar, and that Chester assesses at the rate of nine mills; to a stranger it appears that the Susquehanna county taxpayer is taxed at six times the rate of the one in Chester county, and yet the facts of the case show that the rate of taxation in Susquehanna, as compared with those of Chester are about in the ratio of nineteen and eight and one-half. When it is stated that Cameron levies sixty mills and Northampton but seven, it conveys a misleading impression to the hearer, and is of no practical benefit to any one.

While in attendance at a large semi-agricultural meeting in Canada recently, the writer was rather surprised at a statement made by a prominent Canadian official to the effect that the farmers of the United States were being taxed almost out of existence, and also that the farmers of Pennsylvania were being taxed "at the rate of eighteen mills on the actual value of their properties;" of course this was incorrect, but it was but a repetition of some of the statements made by our public speakers, who do not qualify the statement by another to the effect that they refer to the assessed value and not the actual one; our Canadian friends do not understand our system of taxation, and finding such statements, not corrected, in our public papers, naturally conclude that they are correct and they have assumed that the farmers of Pennsylvania are being taxed at the rate of very nearly two per cent. upon the actual value of their farms and personal property, and this is used as a contrast with the low rate of taxation of farm property in Canada.

We fail to note any good reason why real estate should not be assessed at its actual value for taxation; such a system would not increase the amount of the taxes; the mill rate would of course be proportionately lower to raise the same amount of money; the result to the individual taxpayers would be the same, and all would then understand the system of taxation, which would be more nearly uniform. In fact, such a system would do much to satisfy the spirit of complaint which now exists.

Another point which is a difficulty to the student of this branch of economics is the unequal results of the assessment and taxation, even in the same county and apparently under the same rules and system; thus in one of our leading agricultural counties, from which we have obtained the actual values and actual taxes of a large number of farms, we find that the actual taxation varies from 6.46 mills to 13.13. The following shows the returns from nineteen farms from this county, the



figures having been reduced to a mill rate for the purpose of comparison:

No. 1, . . . . .	6.46 mills.	No. 11, . . . . .	8.95 mills.
No. 2, . . . . .	10.13 "	No. 12, . . . . .	10.27 "
No. 3, . . . . .	7.04 "	No. 13, . . . . .	10.14 "
No. 4, . . . . .	7.80 "	No. 14, . . . . .	7.79 "
No. 5, . . . . .	7.51 "	No. 15, . . . . .	7.40 "
No. 6, . . . . .	7.96 "	No. 16, . . . . .	12.00 "
No. 7, . . . . .	7.81 "	No. 17, . . . . .	11.00 "
No. 8, . . . . .	13.33 "	No. 18, . . . . .	7.89 "
No. 9, . . . . .	9.50 "	No. 19, . . . . .	9.43 "
No. 10, . . . . .	8.00 "		

Inasmuch as the valuations of these farms was obtained from actual sales, from appraisements to settle up estates and other reliable sources, this difference cannot be charged to variations in appraisal; nor will it account for them to state that they are situated in different townships and that each township levies its own rate for school and road purpose, because the most glaring variations come from the same township in which all real estate is under the same mill rate; the fact is that the variation is caused by great variations in the values placed upon the properties by the assessors; values varying greatly from the actual and real one, and valuations for which no reasonable excuse or apology can be given or advanced.

Believing that it would benefit the farmers of our state to know the average rate of taxation, in each county of the state, we have collected the actual values of a large number of farms in the state, and with the value of each have obtained the exact amount of tax paid last year or assessed for this year. These values have been obtained from various sources, all believed to be reliable and correct; actual sales, as far as they were available, have been taken; appraisements made for the purpose of dividing or settling up estates have been made use of; valuations have been placed upon farms well known to county commissioners, and the amount of tax paid, obtained by referring to the county records. In all cases the valuations were obtained from persons well acquainted with the properties and in no way interested in either over or under estimates. Care has been taken, as much as possible, to obtain these returns from different portions of each county so that the averaged result might not be affected by variations in township or local taxation. The average for each county was obtained by dividing the total tax paid by the farms by the actual value of the farms, the dividend being the mill rate for the county as it appears in our list.

The attached table shows the number of farms returned from each county, the total value of all the farms returned, and the total tax paid by the farms represented in the full list on file in the office of the Board, and the averaged mill rate for each county as based upon these returns.

We have stated the number of farms in each county in order that the reader may be able to judge for himself as to the reliability to be attached to the mill rate as an average for the whole county. It will be noted that in a few of the counties given in the list the total amount of property represented is scarcely sufficient to enable us to consider the mill rate as definitely fixed; in some of these cases the county commissioners have been consulted and they have sustained the rate given. In some cases the number, value and taxes of the farms are not stated in the table; in such case the data was obtained from the county officers; a large number of farms with which they were personally ac-

quainted were valued by them, the amount of tax ascertained from the county records and the average county mill rate calculated from this data; the number of farms thus taken was quite large but his data was not retained and we are, therefore, only able to state the average mill rate.

In other portions of this report (pages 4, 25 and 94) the partial results of this work are stated; as the work progressed the averages were given to persons interested in the result and thus the partial results were made public. In some cases the subsequent data slightly increases the average rate as first stated, but in a large majority of cases any increase in the amount of property represented decreases the average rate of the county, and each addition to the total of the returns from the state at large decreases the average rate of taxation as expressed in mills.

In any calculations based on this table it must be remembered that the valuation attached to each farm, and the total valuation from each county is that of the farms, and without any valuation of the personal property taxed with that farm and shown upon the same duplicate; in all counties the sum total of the tax paid includes that paid upon personal property and taxed upon the same duplicate with the farm; this being the case it follows that if we wish to obtain the rate of taxation levied upon the land alone, we must first deduct the amount paid upon personal property; those who are in a position to furnish a reasonably correct estimate, believe that, considering the state as a whole, ten per cent. of the taxes paid by farmers are levied upon personal property, or rather that ten per cent. is represented by the personal property on the same duplicate as the farm. If this estimate is accepted as correct, we are justified in deducting ten per cent. from the total tax as representing that levied on personal property and counting the remaining nine-tenths as having been levied on the farm itself.

Another principal of unequal taxation is found in the manner in which farm personal property is assessed for taxation; in some sections of the state a fixed value is placed upon each horse, cow or other animal returned, and this value is given regardless of the actual value of the animal; thus in some localities horses are assessed at twenty-five dollars each, cows at twenty dollars, and other stock in proportion; in some sections of the state farmers are more careful in making their returns than in others, but we do not believe that, taking the state as a whole, the stock which is returned for taxation is assigned more than half its actual value.

In a similar manner professions of the same character are all valued, for taxation, at a fixed amount, and thus the lawyer with a practice worth \$10,000 per year pays the same tax as one whose practice is worth but \$1,000; other professions are valued upon the same principle and the same unequal system of assessment runs through all articles taxed.

Such being the system which pervades the whole of our plan of taxation it follows that, even with an equitable revenue and assessment law, under the present system of carrying out that law, we will still have unequal taxation even in the same classes of property, and it is evident that along with and close to the system of equal taxation, the one of equal assessments, which is scarcely less important but less noticed, is to be found.



# FARM TAXATION BY COUNTIES. BASED UPON THE ACTUAL VALUE OF THE FARMS.

COUNTIES.	Number of farms reported.	Value of farms reported.	Tax paid by farms reported.	Tax rate in mills.
Adams.	90	\$684,666	\$4,826 75	7.05
Allegheny.	18	145,125	1,169 45	8.00
Armstrong.	10	111,295	832 22	7.47
Beaver.	10	68,500	1,035 00	15.19
Bedford.	112	893,796	7,890 42	8.83
Berks.	12	123,757	1,248 22	10.08
Blair.	90	491,570	4,370 30	8.89
Bradford.	89	704,963	5,220 15	7.40
Bucks.				9.00
Butler.*				13.00
Cambria.	13	25,674	522 90	20.37
Cameron.	71	296,913	2,523 81	12.24
Carbon.	13	108,275	777 96	7.18
Centre.	19	165,805	1,382 21	8.33
Chester.	2	17,540	189 01	10.77
Clarion.	181	822,335	7,939 53	9.65
Clearfield.	4	30,700	423 96	13.81
Clinton.	14	59,375	452 83	7.63
Columbia.				9.20
Crawford.	186	1,763,827	12,428 60	7.04
Cumberland.	15	174,633	1,200 77	6.87
Dauphin.	12	199,365	1,858 16	9.32
Delaware.	11	53,000	712 67	13.40
Elk.	29	151,164	1,447 21	9.57
Erie.				15.00
Fayette.*	5	20,697	303 20	14.64
Forest.	17	124,926	1,149 21	9.19
Franklin.	17	92,900	1,112 46	12.08
Fulton.				14.68
Greene.	7	30,797	452 49	14.66
Huntingdon.	15	73,650	1,079 50	14.66
Indiana.	10	37,440	408 42	10.90
Jefferson.	143	802,130	8,658 24	10.78
Juniata.	113	549,730	4,160 93	11.12
Lackawanna.	16	157,901	1,082 64	6.85
Lancaster.	10	87,192	963 72	11.05
Lawrence.				7.00
Lebanon.*	92	638,677	4,101 54	6.42
Lehigh.	156	542,890	3,868 36	7.17
Luzerne.	85	589,000	5,443 12	9.24
Lycoming.				8.17
McKean.	15	89,105	728 66	9.04
Mercer.	136	989,150	9,313 25	9.41
Mifflin.				7.84
Monroe.	20	216,896	1,691 52	7.84
Montgomery.	162	792,977	5,290 39	6.67
Montour.	37	303,730	1,909 99	6.28
Northampton.	117	859,925	6,917 09	8.04
Northumberland.	161	1,383,300	10,263 66	7.41
Perry.				9.00
Philadelphia.				8.16
Pike.*				8.09
Potter.	19	198,000	1,616 07	8.16
Schuylkill.	14	120,408	975 09	8.09
Snyder.	14	118,500	1,079 35	9.14
Somerset.	18	72,500	776 44	10.70
Sullivan.	81	157,140	2,927 07	18.62
Susquehanna.	12	83,310	1,091 41	13.10
Tioga.	7	75,613	533 29	7.05
Union.	15	62,530	1,075 54	17.20
Venango.	14	48,130	852 29	17.70
Warren.	26	242,855	2,177 77	8.96
Washington.	9	16,750	317 95	18.98
Wayne.	15	153,720	1,243 33	8.08
Westmoreland.	203	645,381	4,271 14	6.61
Wyoming.	110	1,374,013	11,432 91	8.33
York.				6.83

\* From estimates of county officers.

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